Austria	Sch 18	Indonesia	Rp 2500	Portugal	Esc 75
Bahrain	Din 0.650	Italy	L 1100	S. Arabia	Rls 8.00
Belgium	BFr 38	Japan	Y550	Singapore	S$ 4.10
Canada	C$2.00	Jordan	Fils 500	Spain	Pta 100
Cyprus	Mils 500	Kuwait	Fls 500	Sri Lanka	Rup 30
Denmark	DKr 7.25	Lebanon	£L 6.00	Sweden	Skr 6.50
Egypt	£E1.00	Luxembourg	LFr 38	Switzerland	SFr 2.00
Finland	Fmk 5.50	Malaysia	Rm 4.25	Taiwan	NT $85
France	FFr 6.00	Mexico	Pes 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 150
Greece	Dr 60	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr 6.00	U.S.A.	$1.50
India	Rup 15	Philippines	Pes 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,344 — Tuesday June 12 1984 — D 8523 B

Unity top of agenda for Comecon summit, Page 2

NEWS SUMMARY

GENERAL

Sikhs desert Indian army

Several hundred Sikh soldiers were reported to have deserted from the Indian army as protests grew over the storming of the Golden Temple in Amritsar.

Prime Minister Indira Gandhi meanwhile visited troops stationed near the border with Pakistan and claimed that India's integrity was being challenged.

As security forces were hunting more than 500 Sikh extremists, including a large number of soldiers, a second Sikh MP in Mrs Gandhi's ruling party resigned his seat in Punjab. Page 14

Beirut shelling

At least 30 people were killed and 128 wounded in Beirut in a day of shelling.

Apartheid criticised

A Vatican statement condemned South Africa's policy of apartheid shortly after the Pope met Prime Minister P. W. Botha and Foreign Minister Pik Botha.

France accused

Czechoslovakia accused France of increasing its military capability and said this was not just for defensive purposes.

Moscow protest

The Soviet Union protested to the United States, Britain and France about the inclusion of West Berlin in elections to the European Parliament.

Iran cuts imports

Iran has imposed severe import restrictions because of its dwindling oil revenues and low foreign exchange reserves. Only baby food, medicines and weapons are now being allowed, in according to an Iranian banker in London. Page 4.

Spanish assurances

President Raul Alfonsin of Argentina arrived in Madrid. He received assurances of Spanish support for Argentine efforts for a favourable foreign debt settlement. Page 3

Union resumes talks

The West German print union IG Druck und Papier resumed talks with employers aimed at quelling strikes over demands for a five-hour cut in the working week.

Gold smuggling

More than $100m worth of gold mined in eastern Venezuela was smuggled over the border to Brazil last month. Venezuelan deputies made the discovery when they visited the mining area.

Divorce record

Suicides in Japan were a record 24,970 last year. Divorces totalled 179,160, also a record.

Spring sale

The source of the River Rhône, a glacier in the Swiss Alps, is for sale for SwFr 4.5m ($2m). The heirs of a Swiss family of hoteliers are offering the 37sq km of ice, rock and pasture to the Swiss canton of Valais.

Cheap UK labour

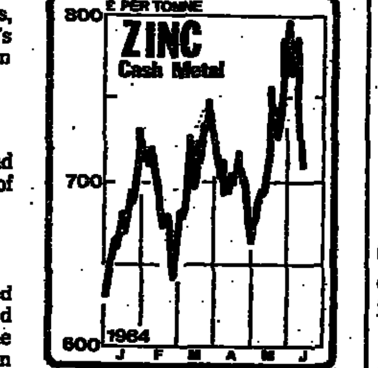
Labour costs in the UK are among the lowest in the industrialised world, according to a study published by Union Bank of Switzerland. Only Ireland and Spain have cheaper manpower than the UK in a list of 15 Western countries. Page 3

BUSINESS

Hitachi sales and profits at record

HITACHI, Japanese electronics group, achieved record group profits and sales for the sixth consecutive year to March. Net profits rose by 11 per cent to Y167.1bn ($72m) and sales were up 10.7 per cent to Y4,367bn. Page 17

WALL STREET: the Dow Jones industrial average closed down 15.64 at 1,115.61. Section III



ZINC prices fell sharply on the London Metal Exchange on expectations of easier supplies. Three months zinc fell £11.25 to £658.25 a tonne, while the cash price lost £40.5 to £709. Page 32.

TOKYO stocks achieved selective gains. The Nikkei-Dow market average added 25.90 to 10,376.83 and the stock exchange index 1.97 to 800.58. Section III

LONDON stocks were encouraged by the outcome of the seven-nation summit. The FT Industrial Ordinary index put on 6.7 to 838.1, and gilts strengthened. Section III

GOLD fell $8.50 an ounce on the London bullion market to close at $378. Gold markets in Frankfurt and Zurich were closed. In New York the Comex June settlement was $373.30. Page 32

DOLLAR was firmer in London to close at DM 2.714 (DM 2.698), FFr 8.335 (FFr 8.3), SwFr 2.264 (SwFr 2.249) and Y231.85 (231.65). On Bank of England figures, its trade-weighted index eased to 130.4 from 130.5. In New York it closed at DM 2.7150, SwFr 2.2620, FFr 8.3475, Y231.95. Page 33

STERLING lost ground to the dollar in late London trading to finish at $1.3895 ($1.395). It improved slightly to DM 3.7675 (DM 3.7625) and SwFr 3.145 (SwFr 3.1375). It was unchanged at FFr 11.58 but fell to Y321.75 (Y323.0). Its trade-weighted index was unchanged at 79.8. In New York it closed at $1.3870. Page 33

ARGENTINA'S rift with the IMF deepened as the Government publicly criticised the policies of the fund, from which it is seeking loans totalling more than $3bn (£2.16bn). Page 14; Madrid supports Alfonsin, Page 3

CONTINENTAL GROUP: Sir James Goldsmith plans to finance part of his proposed bid for the U.S. packaging, energy and forest products group through a capital increase at Diamond Land, one of his two main U.S. subsidiaries. Page 15

The editorial content of today's international edition has been restricted because of continuing industrial action by IG Druck und Papier at Frankfurter Societäts-Druckerei, where the edition is printed. This prevents the publication of late-breaking news, the final Wall Street report and closing U.S. over-the-counter and Canadian share prices.

Today's unit trust price tables may contain inaccuracies because of production difficulties in London.

Abu Dhabi buys a third of shares in Reuters flotation

BY CHARLES BATCHELOR IN LONDON

ABU DHABI, largest and richest of the seven United Arab Emirates, has taken a 12.5 per cent stake in Reuters, the international news agency and business information service, at a cost of more than £70m ($97.3m).

The Abu Dhabi Investment Authority, the government agency which invests the emirate's considerable oil revenues abroad, took up nearly one third of the 113m Reuters "B" shares which went on sale in London and New York last Monday.

It is the largest shareholder in Reuters outside the newspaper industry.

The authority holds 38.53m shares, including 4.5m which were bought in New York in the form of 750,000 American Depositary Receipts, each representing six Reuters shares.

Abu Dhabi may have bought some of these shares in the active trading which followed the Reuters listing last Monday, but if all were acquired through the initial tender it would have paid 196p per share – a total of £71.6m.

In a letter to Reuters, Mr Hareb Al-Darmaki, director of the authority's bond and equity department, said it regarded the holding as a long-term investment which should provide a relatively attractive rate of return.

Reuters has sold 38 per cent of its "B" shares to outside investors, leaving the remaining "B" shares and all its "A" shares – which have four times the voting power – in the hands of its original newspaper owners and staff. No single holder may own more than 15 per cent of any class of share.

Mr Nigel Judah, finance director of Reuters, said: "We welcome investment from anywhere. They know our voting structure and I am told they understand very well the limitation on the size of holdings.

"They are a valued customer of ours and they take a wide range of our services."

The Abu Dhabi Investment Authority is believed to have $40bn invested in money markets, shares and property around the world. It manages most of its investments from Abu Dhabi, though it does have a small London office employing about 12 people.

This is believed to be the first time that it has bought a stake of more than 10 per cent in a UK public company. It normally keeps a very low profile and is much less well known than the Kuwait Investment Office, which invests Kuwaiti oil revenues.

Reuters shares rose a further 6p to 230p yesterday.

Gulf states to replace oil lost by ships in war zone

BY MARY FRINGS IN BAHRAIN

Gulf Arab states led by Saudi Arabia have agreed to compensate buyers of oil shipped from their ports for any oil they lose in attacks on tankers.

This means that owners and charterers will need to take out only hull insurance cover. If anything happens to a cargo of oil, it will be replaced by the exporting countries.

Mr Yusef Ahmed Shirawi, Bahrain's Minister of Development and Industry, said the oil ministers of the six-nation Gulf Co-operation Council (Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates and Oman), who met last Sunday, had decided on the move to keep the price of their oil competitive.

Mr Shirawi said the ministers had decided not to cut the price of their crude. The aim is to stop insurance rates rising by compensation for any oil lost in tankers which come under attack.

Over the past week there has been pressure on Kuwait to follow the example of Iran in giving discounts to offset high shipping costs, since underwriters started to include the Arab side of the Gulf north of Ras Tanura in the high risk zone.

The weekend attack on the Kuwaiti tanker Kazimah (294,000 dwt), now lying safely off Bahrain, was the furthest south in the Gulf so far and underlined that there are now no parts of the area safe from the conflict.

The Gulf oil ministers, meeting in Taif, Saudi Arabia, also considered other contingency plans for coping with attacks on their oil trade. These include use of smaller tankers, new pipelines, expansion of existing ones and storing oil in tankers.

Increased use is already being made of Saudi Arabia's east-west pipeline to the Red Sea, and Kuwaiti plans are believed to include the use of its own tankers to ship oil to Fujeirah outside the Strait of Hormuz for transfer to foreign vessels there.

The development most feared by the Arab oil-producers of the Gulf is the Iranian threat to hit oil installations in countries such as Kuwait or Saudi Arabia, which give financial support to Iraq.

A limited ceasefire under which Iran and Iraq will stop bombarding each other's civilian areas was due to come into effect early today. Diplomats in Tehran were not optimistic yesterday that the truce, arranged by Sr Javier Perez de Cuellar the United Nations Secretary General, would lead to any softening of Iran's position of continuing the war with Iraq until victory.

● Iran claimed that at least 14 people were killed and more than 150 injured when four Iraqi missiles hit the south western town of Dezful, Reuter reports from Tehran.

In Baghdad, Iraqi authorities claimed the attack was in retaliation for the Iranians' indiscriminate shelling of the southern border port of Basra and four border towns, in which two people died.

Japan and Sweden offered to monitor an agreement by Iran and Iraq to halt attacks on each other's civilian populations after an appeal by the UN Secretary General.

Shell-shocked Basra, Page 3; Iran cuts imports, Page 4

Italians mourn death of Berlinguer

By James Buxton in Rome

THOUSANDS OF Communist Party supporters lined the streets of Rome last night as the body of Sig Enrico Berlinguer, the party leader, was brought back to the city after his death in a hospital in Padua.

Sig Berlinguer, who was 62, died shortly after midday without emerging from the coma into which he fell after a cerebral haemorrhage on Thursday night.

His death robs Italian politics of by far its most authoritative and experienced party leader, and takes from the European scene the man who probably did most to create the idea of Euro Communism – Communism independent of the Soviet Union.

The Italian Communist Party is left without a leader in the last few days before Sunday's European elections, in which its policy of all out opposition to the Government of Sig Bettino Craxi, the Socialist leader, will be put to the test of the electorate.

Leaders of other political parties are privately anxious that Sig Berlinguer's death after four days of gradual deterioration amid emotional scenes at the Padua hospital, will give the Communists a sympathy vote that will enhance their position. The Communists command about 30 per cent of the vote.

The intense focusing of public attention on Sig Berlinguer in the past few days, to the exclusion of virtually all other political activity, has served to remind people of the rare personal appeal and intellectual and moral stature of the Communist Party leader, despite the fact that in recent years he has lacked the political influence or wide popularity he had in the 1970s.

The messages of condolence that poured in to the Communist Party headquarters in Rome yesterday from all over the world confirmed Sig Berlinguer's posi-

Continued on Page 14

The shy aristocrat, Page 3

Zanussi wins pledge from Italian banker

BY ALAN FRIEDMAN IN MILAN

THE CHAIRMAN of Italy's largest bank, which is also a major creditor of the troubled Zanussi home appliance group, yesterday pledged support to prevent Zanussi from going into court-appointed receivership.

Dr Nerio Nesi, chairman of Banca Nazionale del Lavoro, said last night that "the fundamental problem now is to decide who will buy into Zanussi."

He said this matter would be discussed on Thursday in Rome at a meeting between Zanussi's major bank creditors, company executives and Government officials.

Dr Nesi said the bank creditors have no preference as to whether the new Zanussi partner is Sweden's Electrolux or France's Thomson-Brandt, or a third party. Both of the major European home appliance makers have been in talks regarding the takeover of effective control of Zanussi, but only Electrolux has so far presented a full-scale rescue plan.

The bank chairman said that whichever plan succeeded, there would have to be "sacrifices on the part of the banks." The Pordenone-based white goods maker has a gross total debt of L1,046bn ($626m) and has asked its bankers for a major rescheduling.

The rescheduling plan to be discussed on Thursday involves a three-year freeze on the repayment of principal, which is necessary because more than half of Zanussi's total debt is short-term. In addition, Zanussi is asking its bank creditors to reduce the average level of interest it pays from about 15 per cent to 10 per cent. Interest charges are costing Zanussi about L140bn a year.

Dr Nesi also said the creditor banks would help Zanussi to make payments of foreign currency debts which are falling due shortly. Banca Nazionale del Lavoro is one member of a pool of Italian bank subsidiaries in London which is organising an emergency $18m loan to help Zanussi make a $28m repayment this Friday.

The crisis-ridden company can afford to repay only $10m of this Friday's maturity, and the Italian banks are coming to the rescue to avoid a default.

So severe is Zanussi's cash position that many of the company's salaries are being disbursed directly from creditor banks. The group last year lost around L130bn on group turnover of L1,800bn. Total gross debt represents more than 58 per cent of group sales.

Dr Nesi said yesterday that he considers court-appointed management for Zanussi a "negative solution for us and for the company." He much prefers investment and recapitalisation from outside the company. "We will do all we can to make a takeover operation easier," he pledged.

The shake-up begins, Page 12

Nakasone calls for stronger ties in the West

By Max Wilkinson, Economics Correspondent, in London

A STRONG plea for the strengthening of strategic ties between Japan and the other major democracies was launched yesterday by Mr Yasuhiro Nakasone, the Japanese Prime Minister, in London.

Mr Nakasone was speaking shortly after three hours of talks with Mrs Margaret Thatcher, the British Prime Minister. This was part of an official visit to Britain immediately following this weekend's seven-power summit meeting in London.

In a lecture to the International Institute of Strategic Studies, Mr Nakasone emphasised the need for a united "trilateral" front between the U.S., Europe and Japan in dealing with the Soviet Union.

He said Japan's relations with the Soviet Union had become strained after disputes about Japan's Northern Territories and the Soviet intervention in Afghanistan.

But he added: "The more strained our relations become, the more important it is that we patiently maintain and strengthen our dialogue with the Soviet Union."

Mr Nakasone made a strong plea for the reopening of arms limitation talks with the Soviet Union, but he made the point that the control of nuclear weapons needed to be "effective, realistic and verifiable."

At a press conference earlier, he said he strongly supported the call made by President Ronald Reagan in Dublin last week for a renewal of talks with the Soviet Union. President Reagan said then that the talks must give a "concrete new meaning" to the principle of the "non-use of force."

Mr Nakasone firmly aligned himself with other Western leaders at last year's economic summit meeting in Williamsburg, where he signed a forceful declaration on East-West strategy.

Yesterday's speech was clearly intended to give a new momentum to his policy of making Japan more outward-looking, particularly in relations with Europe.

He said: "I believe we are enter-

Continued on Page 14

Summit "has failed," Page 3

Plessey agrees to pay £20m for 35% stake in Elettronica

BY ANDREW TAYLOR IN LONDON

PLESSEY, the major UK electronics group, is paying £20m ($28m) for a 35 per cent stake in Elettronica, Italy's leading manufacturer of electronic warfare equipment, and creating a joint company in Britain with the Rome-based concern.

The agreement covers the transfer of technology between the two companies, as well as the development and marketing of products. There are no plans for joint manufacture.

Plessey said yesterday that the deal would give it "key technical and marketing positions in one of the most specialised and fastest growing sectors of the defence market."

World sales of electronic warfare equipment – used to mount, detect or disrupt sophisticated surveillance, guidance and communications systems – are growing at around 15 per cent a year, Plessey estimates.

The UK market is likely to be worth around £100m this year, said Mr Peter Marshall, Plessey's deputy chief executive. The company estimated worldwide sales last year by the main European manufacturers at around $700m.

Plessey's expertise in the field is dispersed among several of its subsidiaries. It is well established in the manufacture of communications and sensor systems which need protection against potential enemy action. This it has had an interest from a defensive viewpoint only, Mr Marshall said.

"For Plessey to develop a significant position in the electronic warfare market in an effective manner would be a long, slow and costly process with inherent limitations on resources."

Elettronica, by contrast, was "almost completely dedicated as a company to electronic warfare."

Under the deal, Plessey has an option to increase its stake in Elettronica, which is privately owned, to 49 per cent in the next five years.

Elettronica had sales last year totalling £65m, with 80 per cent exported to 30 different countries. It will hold a 35 per cent stake in the new company with an option to increase it to 49 per cent.

CONTENTS

David Buchan assesses the prospects as Communist party leaders meet for their first economic summit in 15 years

Comecon looks to loosen Western ties

THE SOVIET UNION takes a risk in scoffing at the papered-over disunity of Western leaders at their London economic summit. For today it holds its own high-risk exercise in convening the first summit of its own economic organisation, the Council for Mutual Economic Assistance (Comecon), after an astonishing lapse of 15 years.

That is to say, it is the first time that Communist party leaders — the supreme authorities in Soviet bloc countries—have met on Comecon business since April 1969.

The world, even their world, has so changed since those days, when the Soviet Union had just used force in Czechoslovakia to reassert its dominance, before Opec price action had started to set up strains between oil producer and consumer even inside the Soviet bloc, before 1970s' detente gave the East a real taste of trade with the West, that there is a plethora of issues for the leaders to wrangle over.

There will be a premium on unity—there always is in the East, where disunity is equated with disloyalty. This summit has been prepared, on and off according to the state of ill-health of respective Soviet leaders, since Leonid Brezhnev first proposed it at the last Soviet party congress in February 1981.

There may still be loose ends untied. But party chiefs and ministers will not be slipping out into Kremlin corridors to give reporters running versions of their views. Any disagreements, except perhaps from maverick Romania, may take weeks or months to emerge into daylight.

But, even allowing much for the incapacity of Mr Brezhnev in his last year of power and of Yuri Andropov in his only year of power, the fact that it has taken more than three years to cobble together an agreed agenda, and presumably some solutions, is telling.

The 10 members of Comecon have their differences. Each has its particular frustration with the workings of the Eastern trading bloc — the Soviet Union with the poor technology it gets in return for its relatively cheap energy and raw materials; Hungary with the archaic financial system; Czechoslovakia and East Germany with the lack of clearer-cut specialisation for their industrial tradition and expertise; Bulgaria with the inadequate return on its food exports; Romania with the fact that its past resistance to Comecon integration denies it access to Soviet energy and raw materials on equal terms to the others; Poland with the slowness of Comecon to fill the gaping hole left in its economy by its ill-fated dash for trade with the West; even Mongolia, Cuba, and Vietnam with the level of Comecon aid they receive.

partner for the Third World.

An element of unpredictability attends all business in Comecon, simply because it is not the Warsaw Pact, where Moscow has the final word on military matters. The very fact that the Soviet Union has economic grievances with Comecon is proof that it does not get all its own way. The East Europeans have assets to negotiate within Comecon—technology, food, and, in the case of Poland, perhaps just the threat of further instability in the absence of Comecon assistance.

Despite this uncertainty, the world economy may not be waiting with bated breath for the outcome of the Comecon summit. The members have a population of 380m, including the world's second largest economy (the Soviet Union), and account for one third of world industrial output. But, because of the closed, not to say autarchic, nature of their system, their economic weight is not fully reflected in world trade.

For the industrialised West, Comecon has been a good market for turnkey plants and food often hard to sell elsewhere. But even after a boom decade for East-West trade in the 1970s, Comecon still only accounts for 3-6 per cent of trade for the major, West European countries and Japan, and less still for countries like the U.S., Canada and Australia.

Equally, Comecon has been a stable, but not staple, trading partner for the Third World. Developing countries still sell about 15 times as much to, and buy about 30 times as much from, the industrialised West as they do trading with Comecon. The Soviet Union has vaunted its aid record, claiming to give more than 1 per cent of its gross national product. But all this is tied to purchases of Soviet goods, because Moscow does not belong to any of the multilateral aid agencies, and is channelled to a small group of pro-Soviet countries.

An element of unpredictability attends all business in Comecon simply because it is not the Warsaw Pact, where Moscow has the final word on military matters. The very fact that the Soviet Union has economic grievances with the bloc is proof that it does not get all its own way.

Comecon seems no longer interested in expanding its full membership, only in giving countries observer status. This is partly due to objections from the East Europeans, who complained about admitting so poor and populous a country as Vietnam in 1978 and seem to have been instrumental in blocking membershsip applications from Laos and Mozambique, for fear of giving more aid.

But, though decisions by a Comecon summit may not resound in the world economy, they could have a profound effect on East-West relations, political as much as economic. Several factors are likely to incline a majority of the participants at this week's summit towards a considerable effort to strengthen their economic system and reduce dependence on the West.

Most important is the bitterly defensive Soviet mood towards the West, which has if anything grown harder under President Konstantin Chernenko.

Even before the past year's deterioration in East-West relations, it was highly probable that the Soviet Union would want to use a Comecon summit to deliver a riposte to what it sees as Western economic warfare, ranging from sanctions over Afghanistan and Poland to new controls on Western sales of militarily-useful technology.

Now, it is clear that the Soviet Union would like to see changes in Comecon arrangements, not only to reduce costs to the Soviet economy but also to bolster the Warsaw Pact's economic base by, for instance, having its more industrially sophisticated East European partners produce some high technology previously bought from the West. Marshal Viktor Kulikov, the Warsaw Pact commander, and other Soviet generals have made explicit their interest in a Comecon summit.

Calls by the Soviet Union to "circle the wagons" would have met a less than positive reaction from the East Europeans before the 1981-82 credit crisis which hit them all in the wake of Polish and Romanian debt rescheduling. Now, however, they have all been made uncomfortably aware of the uncertainties of trading with the West, in terms of fluctuating Western interest rates, business cycles and protectionism.

Even Hungary, which has openly warned against Comecon turning inward and is still trying to build bridges to the West, is aware that it has benefits in the East which the West cannot replace. These are secure supplies of Soviet energy and a market in the Soviet Union for its food, for which no conceivable degree of success in its current trade negotiations with the EEC can substitute.

This is why the Comecon countries are likely to make fresh efforts to bind themselves more closely, despite the poor results from their 1971 "comprehensive programme," and their 1976 sectoral approach towards integration. Fortuitously, the long delay in calling the summit has brought the summiteers to within 18 months of the start of their countries' 1986-90 plans. Decisions this week will affect Soviet bloc priorities until the end of the decade, possibly forming an ominous economic backdrop to East-West relations for years to come.

But closer integration—even in terms of simple trade exchange—will not be easy. During the 1970s the share of total trade which Comecon countries did with each other fell from 65 per cent to less than 55 per cent on average. Even since 1981, with the impact of Western sanctions and export controls, this ratio has risen only slightly.

Two factors make it hard to increase much further. The first is that most East European countries are still constrained by Western debt obligations to maximise exports to the West; none of them, not even Poland, has seriously considered defaulting on Western debts, though all are keen to reduce exposure. The second, and fundamental, factor is that radical reform of Comecon, turning it into a multilateral trading system with flexible pricing and a real role for money as a means of settlement, is incompatible with Soviet-style central planning (see accompanying article).

It is more likely that the countries will attempt administrative, rather than market, solutions to two major problems — the terms on which they barter with each other, and the difficulty of arranging cross-border specialisation and co-operation without a Western-style market or multinational corporations.

According to the Comecon formula for bulk commodities, the Soviet Union sells its partners (except Romania) energy and raw materials at a price pegged to a moving average of world prices over the previous five years. Because of the way oil prices have moved, this has shifted the terms of trade against Eastern Europe and in favour of the Soviet Union which for the past 10 years has run a surplus with its partners (Roubles 3.7bn or £3.3bn last year alone).

The Soviet Union has now tired of running these virtually unusable surpluses, which in a barter system are effectively credits. Changing the Comecon price formula, to perhaps a two or three world price moving average, has been oft discussed. But, instead, it appears that Moscow is now telling the East Europeans that if they want to continue receiving the same quantities of relatively cheap energy and raw materials, let alone more, they must invest more of their own resources in helping the Soviet Union exploit increasingly inaccessible deposits in Siberia.

A perennial subplot to this whole issue is Romania's bid to obtain Soviet energy and raw materials at the intra-Comecon price, rather than paying in hard currency or hard currency goods. Romania, which plays a role in Comecon not totally unlike Britain in the EEC, has not enhanced its chances by breaking alliance ranks to attend the Olympic Games in the U.S.

The other broad issue for the summit is the effect of individual countries' economic reforms on their co-operation with each other. The classic Comecon style is to negotiate trade and specialisation bureaucrat-to-bureaucrat. This is becoming increasingly inappropriate, particularly in fast-moving new technologies, and difficult as countries like Hungary give their companies more trading autonomy.

How the 10-nation trade bloc co-ordinates its affairs

COMECON HAS been compared to the bee—it cannot fly, according to the laws of aerodynamics, because its wings are too small for its body; but having never heard of such laws, it bumbles along anyway.

It has a sizeable secretariat in a skyscraper on Moscow's Kalinin Prospekt, several dozen permanent commissions on industrial and agricultural sectors, an executive committee of deputy prime ministers meeting four times a year, and an annual conclave of prime ministers, with a very occasional summit of party leaders.

Their three basic jobs are to co-ordinate the annual and five-year plans of the 10 member states, organise funding and implementation of joint projects, and arrange cross-border specialisation of production and research.

Two characteristics make it unlike any other of the world's trading blocs:

● Intra-Comecon trade is planned, in exact amount and perforce in price, in bilateral barter negotiations between governments. The Comecon currency — the misleadingly named transferable rouble (TR) — serves only as a unit of account in barter transactions. It is a paper fiction recorded in the books of Comecon members and of their equivalent of the International Monetary Fund, the Moscow-based International Bank for Economic Co-operation.

The TR is not a freely usable means of settlement, because it is not a claim on the goods of member countries; all such goods are previously committed under the central planning system. Thus, a surplus with one country cannot be used to buy goods from another, and trade remains essentially bilateral.

Western currencies, either borrowed or earned from exports, have plugged part of the gap left by the TR's inadequacy as a multilateral means of settlement.

● Trade specialisation and co-operation is decided administratively by negotiation, rather than automatically by price. Comecon says it values its system of pricing, which follows world levels with a time lag, because it irons out speculative movements of the capitalist world outside. In fact, its barter system requires that prices be fixed for at least the 12-month period of intra-Comecon trade deals.

Since the days of Khruschev, who tried to enforce a division of labour between a "northern tier" of Comecon supplying machinery and a "southern tier" growing food against bitter opposition from southern members like Romania, there has been no attempt to give Comecon a supranational authority. It is, in that sense, less powerful than the European Commission with its powers in agriculture, iron and steel.

Nor, since the infamous "joint" Soviet companies in Eastern Europe in the early 1950s, has Comecon had any home-grown equivalent of the multinational corporations which arrange specialisation and industrial co-operation in much of the rest of the world.

Some order of comparative advantage has emerged by negotiation, with Bulgaria getting a lead role in some electrical machinery, Hungary in buses, Czechoslovakia in nuclear reactors, East Germany in some machine tools and so on.

The process is blunted by the disproportionate size of the Soviet economy. No East European country can supply more than a fraction of the market of the Soviet Union, which in turn is in a position to dominate any single East European market.

Rarely has one Comecon country discontinued production to let another forge ahead; the more successful agreements tend to deal with new products. The biggest problem concerns components and semi-finished products, which account for only 10-15 per cent of Comecon specialisation agreements.

Pressure for real common market urged

By Quentin Peel

THE EUROPEAN Parliament to be elected this week must step up pressure on the European Commission and Council of Ministers for faster progress toward a genuine EEC common market in goods and services, according to a Britih study published yesterday.

However, the common agricultural policy is likely to remain a source of political tension between northern and southern members for the foreseeable future, and it may take 20 years to eliminate existing agricultural surpluses.

These are among the main conclusions of the study* by the Centre for Policy Studies — the "think tank" established by Mrs Margaret Thatcher and Sir Keith Joseph—reflecting a broad range of UK Conservative Party thinking on the longer-term future of the EEC.

The study also stresses the need for greater European input in defence policy, without departing from the essential relationship through Nato of Europe and the U.S.

It includes a general proposal for greater European co-ordination of defence industry research and procurement policies, as being compatible with EEC industrial policies.

The study group proposes a package of measures to eliminate non-tariff barriers to European trade over the next five years, including tougher penalties for countries refusing to comply.

Any member state refusing to obey a ruling by the European Court — as did France during its farmers' campaign against British lamb imports —should be liable to forfeit payments due to it from the Community.

Another area for more urgent action is in the supply of financial services, with the study urging harmonisation of banking legislation within five years, the investigation of public service monopolies—such as air courier services—to discover whether their exclusive rights are necessary, and action to create a genuine common market in insurance services.

able,"

It calls for Britain to include sterling in the European "snake" exchange rate co-ordination "as soon as practic-

* *Making is Work: The Future of the European Community; the Centre for Policy Studies, 8 Wilfred Street, London*

LONDON CENTRAL: CANDIDATES RETREAT INTO LOYALIST STRONGHOLDS

Capital turns Nelsonian eye toward Europe

"Dear God! The very houses seem asleep"
W. Wordsworth, Upon Westminster Bridge

FLYING IN from the poster-bedecked, election-fevered Belgian capital, it was not necessary to touch the Heathrow tarmac before the very nadir of British EEC- awareness was unveiled.

"Are you a member of the European Community," asked the air hostess, touting immigration cards to a middle aged English couple.

A long pause as Dad looked inquiringly at Mum. "Well," she finally replied, "we've got British passports . . ."

An extreme case, perhaps. But in three days of touring the London Central constituency, the most vivid impression was that its 530,000-odd electors think little of the EEC and care rather less.

Frozen in the dazzle of its glorious imperial past, London seems to have turned a Nelsonian blind eye to its more parochial European future. The celebrated ships, towers, domes, theatres and temples now look down on a transatlantic culture of films, pop music and pavements strewn with the detritus of fast food wrappers.

Even its best cuisine is not European, but Chinese or Indian, while its favourite summer game is played in the West Indies, Australia and the sub-continent.

To the man on the notorious Clapham omnibus, the continent is a holiday destination, reaping its revenge with endless tourist coaches that clog traffic at the Elephant and Castle.

Superficially, at least, the lack of interest is reciprocal. London Central encompasses everything from Hammersmith in the west to the Tower in the east and from the river to the northern border of Hampstead; yet, according to the SDP-Liberal Alliance, it has received only £230,000 in EEC social fund grants.

Farmers, widely viewed as the sole beneficiaries of Community aid, are few outside the absentee landlords' ghettos in Belgravia and Mayfair. And the wholly unquantifiable benefits accrued by industry are regarded as a boost for trading estates on the North Circular Road, not the core of the capital.

Faced with monumental indifference, the main candidate have retreated to their political heartlands in a bid to ensure that the most loyalist vote at least gets out on June 14.

Although Labour and Tory candidates make occasional forays into enemy territory, the vital work is taking place where the harvest looks most plentiful.

London Central is made up of nine Parliamentary constituencies dividing evenly into three Tory, three Labour and three marginal. Boundary changes since 1979 mean that a 4.2 per cent swing to Labour could wrest control from the Conservatives, thus making it the most winnable seat for the socialists in southern England.

In these circumstances, factors as simple as heavy rain or a marked improvement in the Ecology Party's 6,000 vote in 1979 could hold the balance on polling day.

Turnout, which was 2 per cent lower than the already dismal 31.8 per cent national average last time, may well hold the key.

Mr Stan Newens, a former Westminster Labour MP and once chairman of the left-wing Tribune group, is aiming for 44 per cent. Much of this may depend on support rubbed off from the vigorous rearguard action to save the Labour-controlled Greater London Council, destined to be abolished by the Government over the next two years.

Though the Tories claim that the GLC's £3m advertising campaign-slogan "Say No To No Say"—will infuriate their rate-paying supporters into the polling booths, opinion surveys suggest that Londoners are opposed to GLC abolition by a proportion of two to one.

Despite the GLC issue, it has been an uphill task to persuade Labour's supporters to Say Yes To A Say In Europe. A local organiser drafted into Kilburn, a north west London socialist heartland, confessed that even the younger activists who have come to characterise the London Party are reluctant to canvass. The unions have tended to supply cheques not personnel.

Mr Newens, while making a stab at European issues, tacitly acknowledges the mood with an appeal focussed on the Westminster politics he clearly misses.

"In the end," he repeats at doorstep after doorstep, "we are calling on people to give a massive vote of no confidence in Mrs Thatcher."

Meanwhile, down in Chelsea, Mr Adam Fergusson, the Conservative candidate, has been preaching the opposite message to the clearly converted.

Until the Parliament's dissolution a respected if party-orthodox MEP for Scotland's Strathclyde West, Mr Fergusson lends a whiff of the grouse moor to his campaign by conducting operations from a battered Land-Rover.

From this, a team of well-spoken lady beaters dismount to flush out the *faithful* round London department stores.

With five years in Strasbourg behind him, Mr Fergusson is perhaps the most aware of the difficulties of truly representing the interests of such a multi-faceted constituency and of the limited influence of an MEP.

"The truth is you don't really represent individuals but broad interests," he admits.

Not least, but almost certainly last among the three main contenders is Mr Ernest Wistrich, the SDP-Alliance candidate, whose greatest disadvantage may be his unqualified enthusiasm for European union.

For many years director of the federalist European Movement, he is packed with sensible ideas from joining the European Monetary System to building London as Europe's natural financial capital.

Most of this, he confesses, however, is hard to sell to the average voter. And given, too, the lack of a single clear geographical location, canvassing the Alliance vote is next to impossible.

For the foreseeable future, in the British capital at least, it seems that when a man is tired of Europe, he is merely in good company.

Ivo Dawnay

MARSEILLES: TRUNCHEONS AND TEAR GAS AS THE NATIONAL FRONT CHARGE LEFT-WING MILITANTS

Mediterranean Chicago with its back to France

"REMEMBER you only vote once in the European elections. There is no second round," M Gaston Defferre, the silver-haired 73-year-old French Interior Minister, told a rowdy Socialist gathering in Marseilles, the levantine port city he has ruled like a despot for the past 30 years.

"So you must all come out and vote on June 17 as you did in the second round of last year's municipal elections," he went on to say to shouts of "We will, Gaston, we will."

M Defferre was nearly ousted as mayor of France's second biggest city last year in what would have been one of the most spectacular election upsets in recent French politics. But after a disastrous first round he got his political machine to work and by hook and by crook staged a remarkable comeback to clinch the second round for a new six year term in the town hall.

But even M Defferre is finding it difficult this time to whip up enthusiasm for the European elections among his heartiest partisans. Marseilles, after all, has always had its back to France, let alone Western

dence that the first piece of legislation M Defferre pushed through Parliament when he went up to Paris as Interior Minister was the decentralisation of power from the capital to the regions—that is as far as decentralisation is possible in a country like France.

"All the parties are worried that a great many people will abstain here. I wouldn't be surprised to see 50 per cent to 60 per cent abstaining," remarked a political journalist for Le Provençal, M Defferre's newspaper in Marseilles.

For M Defferre and the Socialists the task has been made more difficult by the party's position in favour of the enlargement of the Community. Spain and Portugal are seen as direct and damaging rivals to the agriculture and wine industry of the French south. Moreover, the Community's industrial policies and those of the French Government have had a dire impact on the region's heavy industries.

The modern special steels plant of Ugine Fos at the industrial port of Fos near Marseilles is due to be closed as part of the Government's steel

shipyards of La Ciotat and La Seyne are facing the worst crisis in their history.

And all this is taking place in an area suffering from heavy unemployment, deep social and racial problems, and a gradual but so far irrevocable process of deindustrialisation.

The campaign, as elsewhere in France, has thus been focused on domestic and local issues. The Socialists are likelyto see their vote decline from 23 per cent to perhaps as low as 15-16 per cent in Marseilles.

The Communists too, who for the first time are sharing power in the town hall with M Defferre, are expected to decline from their 30 per cent at the last European elections.

For its part, the right and its united list headed by Mme Simone Veil is expected to win the biggest support, but not as much as it had hoped. M Jean-Claude Gaudin, the Marseilles deputy for the centrist UDF party who nearly toppled M Defferre last year and is widely expected to win the town hall next time round, has conducted an extremely soft campaign.

the unified opposition list. He has done the very minimum," one of his local supporters said.

The neo-Gaullist RPR has been fare more active, on the other hand. But its weight in Marseilles has never matched that of M Gaudin.

The campaign in Marseilles, and for that matter in the country as a whole, would have been a humdrum affair were it not for one new important factor. "That factor is the National Front," explained M Gabriel Domenech, editor of Le Meridional, a Right-wing newspaper which has developed a particularly virulent form of political campaign journalism.

M Domenech has been leading a crusade against M Defferre and the Socialist-Communist alliance in France although his paper is believed to be indirectly controlled by M Defferre. But then that is typical of Marseilles.

The National Front and its leader M Jean-Marie Le Pen have led an intense campaign throughout France with the aim of consolidating the party's recent successes in local polls.

M Le Pen has campaigned on the two basic issues of race and law and order which have the greatest popular echo in cities like Marseilles with 15 per cent of the population made up of North African immigrants and an international reputation for being a sort of baby Chicago with gangsters, drugs and every form of racket.

M Le Pen's wildest dream is to score more than the Communists on Sunday. His more realistic chances are to poll about 7 per cent, which would nonetheless be a major advance. "If that happens," M Domenech says, "then the traditional right-wing parties will have to think very seriously of absorbing Le Pen candidates in their future lists if they want to gain the majority. That will represent an important factor in future French elections."

But wherever M Le Pen has gone, there have been violent demonstrations. Marseilles, which the National Front leader calls Beirut, was no exception. I was in the middle of about 200 members of Le Pen's private bodyguard armed with truncheons and steel bars when they charged against left-wing militants halting them before the police intervened with the inevitable tear gas. Three people were hit, with blood pouring all over their faces.

M Le Pen, despite the violence, drew a far larger crowd than M Lionel Jospin, the Socialist Party first secretary and leader of the Socialist European list. About 4,500 people came to hear M Le Pen say in Marseilles that "the time has not come yet to go begging outside the doors of mosques."

About 1,500 people came to listen to M Jospin in Marseilles, whose centre has unkindly been called the "Kasbah."

Of all the aspects of the European election campaign, in France, that which has left, for this correspondent at least, the biggest impact was the sight of old ladies and their hsubands in their best Sunday suits walking through M Le Pen's thugs—veterans of the Algerian war or former members of the parachute regiment all armed with vicious rods and other instruments to attend the rally of the French National Front leader in Marseilles.

Paul Betts

Europe may breathe new life into WEU

By Bridget Bloom in Paris

SEVEN foreign ministers from the member states of the Western European Union (WEU) meet in Paris today to discuss the possibility of strengthening European defence within Nato.

The meeting, the first at this level for over a decade, could result in a decision to revive the WEU and turn it into a vehicle for coordinating European defence and security policies.

Such revival is favoured by Belgium and France, whose Foreign Minister, M Claude Cheysson, will chair today's meeting. However it is viewed with some caution, even scepticism by the British and Dutch Governments. The other members of the union, West Germany, Italy and Luxembourg are said to be interested but not committed.

The idea of reactivating the WEU came from France, backed by Belgium. Earlier this year both governments circulated confidential papers within the union suggesting that the almost moribund organisation could be given new life to form the basis of a "European pillar" in the defences of the alliance.

Watching brief

The WEU is the only European organisation specifically charged with considering defence and security matters. It dates from the 1948 Brussels Treaty between the U.K., France, Belgium, the Netherlands and Luxembourg, which was modified in 1954 to include West Germany and Italy.

Among the treaty provisions is the British commitment to keep more than 50,000 troops in West Germany. The organisation's Armaments Control Agency controls and monitors German rearmament while its standing arms committee has a watching brief over arms collaboration.

France and Belgium believe the WEU's assembly of parliamentarians could provide an important focus for public discussion of European defence.

A report before ministers which was passed by the WEU Council last month suggests other themes for discussion and possible policy co-ordination. These themes include approaches to "out of area" problems like the Middle East or the Gulf, where European security interests could be involved, as well as East-West relations and differences of approach to key security problems between European governments and the U.S.

Particularly controversial is the possibility that the WEU could co-ordinate collaborative arms production between European countries. Britain is keen that this should be channelled through existing bodies like Nato's Eurogroup to which France does not belong, or in the independent European programme group which does include France.

Britain is officially keeping an open mind on the possibility of reviving the WEU. In Paris recently, Sir Geoffrey Howe, the Foreign Secretary, accepted that its Council and Assembly could "be used to debate the key questions affecting our security and to help stimulate an informed public debate."

British concern

Privately, however, Britain is worried that a revived WEU could both divide Europe and be in danger of increasing the gap between Europe and the U.S. If the WEU is to be rejuvenated Britain would probably insist that countries like Norway or Spain should be allowed to join.

France makes no secret of its desire to find a body which does not have the problems of the EEC, where neutral Ireland vetoes discussion of defence ministers, and of Nato, which also includes the problematical Danes and Greeks.

But M Claude Cheysson went out of his way after the recent Nato foreign ministers' meeting in Washington last month to allay fears that proposals to revive the WEU were either incipiently anti-American or anti-Nato.

French officials privately say one key reason for reviving the WEU would be to involve Italy more closely with European defence decisions which tend to be dominated by France, the UK and West Germany. Italy has proposed and foreign ministers have accepted an invitation to attend the celebration of the WEU's thirtieth anniversary in Rome in October. Today's meeting may decide that defence ministers should also attend.

Other officials, however, point out that a rejuvenated WEU would have considerable advantage for France which is not in Nato's command structure and thus is not represented in bodies like the Eurogroup of Nato defence ministers.

It is, thus, far from clear whether today's meeting will succeed in taking decisions on the future of the WEU. Ministers meet privately this morning and then meet a group of MPs from the WEU

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OVERSEAS NEWS

Fears grow as Beirut confidence vote nears

By Nora Boustany in Beirut

LEBANESE deputies debated under shellfire yesterday as the countdown for a parliamentary vote of confidence for the new cabinet of Prime Minister Rashid Karami began.

Shells landed perilously close to the Mansour Palace, the parliament building, as deputies braved the dangerous route along the green line separating mainly Moslem West Beirut from the Christian eastern sector of the capital.

Only 25 parliamentarians showed up out of a total of 90. Today's session, believed to be the last, is the most crucial. Observers here expressed fears that further escalation of the fighting would prevent the final session from taking place.

Mr Louis Abu Sharaf, the Christian Phalange Deputy, yesterday criticised Mr Nabih Berri, the Justice Minister, for questioning the legitimacy of Lebanon's unicameral legislature. Mr Berri, a Shiite Moslem and also the Minister for South Lebanon and reconstruction, said earlier that the parliament was "illegitimate." The House, which has a usual term of four years, has renewed its mandate for the last 12 years because of civil war conditions that have prevented elections.

"How can the Cabinet demand investiture from a parliament it considers illegitimate?" asked Mr Abu Sharaf reflecting the views of many disgruntled parliamentarians.

Acrimonious exchanges arose over a request by Mr Karami's nine-man Government for emergency powers. The new Prime Minister, a pro-Syrian, has described his cabinet as an "extraordinary cabinet for an extraordinary situation."

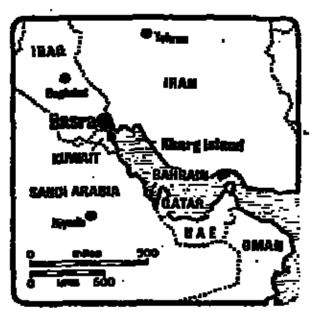
It will have the complex task of getting the Israelis to pull out of South Lebanon and the Bekaa valley and of introducing political reforms that would give Moslems a bigger stake in Lebanon's power-sharing formula.

The debate yesterday followed a weekend of stepped-up clashes in East and West Beirut and in the Lebanese mountains. At least six people have died in the past two days and many more wounded.

Shells slammed into the parking lot of an East Beirut hospital yesterday close to a police station. Four Lebanese police were injured and rushed to the nearby Hotel Difu hospital.

Shell-shocked Basra prepares for the big push

Tony Walker, one of the few correspondents in Iraq, on how the residents of Basra are coping with some of the worst shelling in the Gulf war.



IT HAS been a particularly bad week in the southern Iraqi port city of Basra.

Iranian artillery positions across the Shatt Al-Arab waterway have been pounding targets in and around the city for the past several days in some of the heaviest shelling of the 45-month long Gulf war.

And with tens of thousands of Iranian troops massed just a few miles to the north-east, Basra has been living with fear for weeks. The city exists behind sandbags and many of its citizens are beginning to despair that life will ever return to normal.

"The shelling has been the heaviest since the war began," says Dr Nazur Suleiman of the Basra teaching hospital. "We're ready for war, but to see civilians — women and children — killed is heartbreaking."

Despite reports of an expected moratorium on attacks on civilian targets in the Iran-Iraq war shelling continued today in the vicinity of Basra.

As Dr Suleiman talked an artillery barrage could be heard in the distance. The hospital has been hit several times, most recently last Thursday when a 155mm shell landed in front of the building spraying shrapnel through walls and windows. There is a feeling among medical staff that the hospital is a target in the war that each day seems more senseless.

Zaki Al-Ali, Governor of Basra, said about 200 people have been killed in the shelling over the past several days and more than 600 wounded. Governor Zaki claims Iranian calls for a moratorium on shelling of civilian targets have been brought about by Iraqi military successes.

"We told them that if you're going to continue to hit our cities we are going to continue to hit yours," he said. The Governor claimed Basra and its environs were impregnable to atack and that Iraq was winning the war.

"You can see the Iraqi victory in the eyes of the children," he said.

The drive from Baghdad to Basra, a distance of about 450 kilometres, reveals a country fully mobilised for war. The road passes close to the Iran-Iraq border and thousands of gun emplacements are visible on earth mounds. Iraq appears to have thrown a massive effort into preparing its defences for the much heralded Iranian offensive that intelligence reports in Washington suggest will take place this month.

In Basra people have been staying off the streets during the worst of the shelling, but many shops have remained open and government offices are operating normally, according to local officials. Foreign business contractors, however, many of them working on the redevelopment of the port of Umm Oasr to the south of Basra, have had their work disrupted

The Iraqis are redeveloping the port by installing new container facilities and ship loading systems. The Umm Oasr facility is about 20 kms from the Gulf on an arm of the Shatt Al-Arab. Mines would have to be cleared and the waterway dredged before it was open to traffic. There is no chance of that happening while the war persists.

The port of Basra where 70 foreign ships are trapped is idle. Some ships have been shelled, according to S. A. Mustafa, president of the state organisation of Iraqi ports. Mr Mustafa said there had been considerable damage to the port which handled 6m tonnes of cargo in 1979, the year before war broke out.

He was not able to give an estimate of how long it would be before the port opened if the war ended.

Iraqis appear resigned to a continuation of the war despite the promise of the UN-sponsored moratorium on attacks on civilian targets. "We've been expecting a new offensive," said Governor Zaki. "We consider Iran's leaders to be crazy. But we've been waging the war for four years now so we can wait."

Tehran cuts imports, Kier loses Iraq contract, Page 4

Summit has 'failed' says Japanese Opposition

By Robert Cottrell in Tokyo

JAPAN'S MAIN opposition parties have criticised the recent London economic summit, saying it failed to produce concrete proposals for dealing with world problems.

The Japan Socialist Party (JSP), which holds 112 seats in Japan's 511-seat Diet (Parliament), said the London meeting had a "strong political colouring," and had diverged from an original objective of promoting economic growth and reducing unemployment. The JSP complained that the seven leaders had agreed no "realistic" measures to bring the Soviet Union back into arms control talks with the west.

The JSP has also turned down proposals from the ruling Liberal Democratic Party to end a boycott of business in Japan's Diet. The LDP had sought the truce mainly in order to give Mr Yasuhiro Nakasone, the Prime Minister, the opportunity to deliver his report on the London summit. Business in the Diet has been at a standstill since May 23, in a stand-off apparently aimed at embarrassing Mr Nakasone.

Japanese business leaders have responded more favourably to the summit. Mr Yoshihiro Inayama, chairman of Japan's Federation of Economic Organisations (Keidanren), said the summit "reconfirmed the need to enhance western unity."

● Mr Nakasone is coming under increasing pressure from within the Liberal Democratic Party to relax his Government's austere fiscal policies. Mr Kiichi Miyazawa, leader of a rival "faction" within the LDP, has emerged as the focus of intra-party opposition to Mr Nakasone by launching his "asset doubling plan" whose main points include a doubling of private savings and housing investment over the next ten years.

Mr Miyazawa's plan is an implied criticism of the LDP's 1984-85 budget, which projects Government spending for the current year at a near-standstill. Supporters of Mr Nakasone's austerity programme say the Government must contain its debt, projected to top a cumulative US$544.5bn (£389bn) in the current financial year.

Swaziland bid to defuse row over customs scandal

By Jim Jones in Johannesburg

SWAZILAND'S Government made conciliatory noises towards South Africa yesterday following a major row over alleged customs frauds which threatens to destroy the customs union linking South Africa, Swaziland, Lesotho and Botswana.

However, South Africa is not yet satisfied that the frauds alleged to have taken place in Swaziland will be comprehensively investigated.

The dispute started last week when Prince Bhekimpi Dlamini Swazi prime minister, announced that Queen Regent Ntombi and the country's Supreme Council of State, the Liqoqo had decided to dismiss Mr Richard Dlamini, the foreign affairs minister, Dr Sishaya Nxumalo the Finance Minister, Colonel Manenomeni Ndzimandse the head of the army and Titus Msibi the chief police commissioner.

The dismissals followed the ordering of an investigation last Tuesday by Mr Nxumalo into an alleged multi-million pound customs duties fraud. It was alleged that senior Swazi government officials, including Liqoqo members, were beneficiaries of the estimated R13m (£7m) customs duties which were not paid on a consignment of goods alleged to have been imported into South Africa by a Swazi company.

Peking leadership offers a sop to China's army after a series of public rebukes

Colina MacDougall reports on pressure on the People's Liberation Army to reduce its political profile and cut expenditure

CHINA'S Defence Minister, Zhang Aiping, is currently on a swing through France, the U.S., Canada and Japan. His trip will give the whole of China's military establishment prestige, and may result in the acquisition of small quantities of modern weaponry.

But while it signifies serious Chinese interest in foreign military knowhow, it could also be seen as a sop from the Deng Xiaoping leadership to the People's Liberation Army to console them for the pressure they are currently under to reduce their political profile and cut domestic expenditure.

In late May both the PLA paper Liberation Army Daily and the People's Daily printed a highly critical article which quoted Deng Xiaoping directly, saying that during the Cultural Revolution the army's prestige had suffered badly and its work had brought about more factionalism and "some Leftist things."

"Certain comrades in the army" lacked understanding on this point, which was very harmful.

The papers stressed that although supporting factions might have been the policy of the time, to do so was always wrong.

This article was the third last month in the Liberation Army daily to attack the army. On May 8 the paper declared that factionalism was corroding the party organism, affecting the army's fighting capacity and was a question of "extreme importance" to be resolved during the current party rectification movement.

On May 5, noting that efforts should be made to groom what the Chinese call the "third echelon"—the successor to the present recently-streamlined leadership (the "second echelon")—it stressed that "the guns should be in the hands of those the people can trust."

Like the civilian party, the Communist Party in the army has since last autumn been undergoing "rectification." This campaign is intended to clean out supporters of Lin Piao (Mao's former successor who died plotting a coup in 1971), adherents of the Gang of Four (Mao's wife and her colleagues) and the factionalists and criminals who came to their present power through violence in the Cultural Revolution.

While the rhetoric of these articles may overstate their message simply because of the existence of the campaign, the open criticism of the army's role must be deeply unpopular in the PLA, especially with those who already oppose Deng's modernising policies.

Defence still remains firmly at the bottom of Deng's list of priorities. At last month's National People's Congress the budget allocation of Yuan 17.8bn was the same as that in 1982.

A new military service law which should result in a slimmer, fitter army with ranks and badges restored (they were abolished in 1965) was passed at the Congress, and may placate some of the more professional army leaders. But it is unlikely to win over to Deng the old-style deeply Maoist figures who oppose him.

The usually reliable Hong Kong journal Cheng Ming commented on June 1 that the only reason party general secretary Hu Yaobang reviewed troops in Changchun, Jilin province, on his way back from North Korea recently was to confirm their loyalty.

It noted too that the health of the aged Marshal Ye Jianying, formerly de facto head of state and an opponent of Deng's after Mao's death, was declining and this had led to jockeying for power.

Deng Xiaoping's unprecedented public rebuke at the end of May of two senior Chinese officials could be seen as part of this scenario. When Geng Biao, former Minister of Defence, and Huang Hua, former Foreign Minister, said that China would not post troops to Hongkong after 1997, Deng commented to Hongkong journalists "Utter rubbish," and said his government did indeed intend to do so.

Did Deng take a hard line to win over the conservative Maoist military men who support Ye and may soon be leaderless? Did he do it to recompense the army for the knocks they are taking in the present campaign? Or did he say what he said simply because he believed it?

Whatever his motives, this and the public criticisms of the army are the signs of much dispute over modernisation, the "open door" policy, and, more generally, who will exercise power. It remains to be seen how far Deng can carry all the arguments his way.

China's nuclear solution, Page 4

New Zealand refinery closes after strike

A CONSORTIUM working on an expansion propject at the Whangarei oil refinery announced it closed its gates to all workers after striking electrical workers rejected a vote to return to work, AP reports from Wellington.

Union officials at the $1.65bn (£825m) project agreed last Friday to ask 2,300 construction workers to accept Marsden Refinery Constructors' (MRC) conditions for returning to work after a two-week strike over employment of scaffolders.

About 800 workers backed the recommendation but when union officials told the company it was rejected by electrical workers today, MRC said it will close its gates.

Sir Robert Muldoon, the Prime Minister, said at a news conference the Government will probably press ahead tomorrow with legislation designed to force a return to work on Wednesday.

The legislation would exclude workers who did not return to work from unemployment benefit for four months.

In a separate dispute over pay, about 700 workers employed on the maintenance of the refinery, owned by (the New Zealand Refining Company), returned to work yesterday after a pay strike while the Federation of Labour argues their case with labour authorities.

EUROPEAN NEWS

UK hard line stifles EEC directive on workers' consultation

BY JOHN WYLES

SUPPORTERS of the European Commission's Vredeling draft directive on employee information and consultation have now virtually given up hope of securing its adoption during the lifetime of the present British Government.

The UK's opposition in principle to the notion of legislating in this field has, according to French officials, stifled attempts to move negotiations forward on the draft directive during France's tenure of the EEC's Council of Ministers over the past six months.

The immediate prospects of progress now depend on the vigour of the Irish Government's efforts during its Presidency which begins on July 1. Dublin has not yet formally declared its intentions. However, they will reflect a balance between the desire of Ireland's Minister of Labour, Mr Ruari Quinn, a Labour Party member, to satisfy international trade union demands for adoption of the directive and the fact of substantial investment in Ireland by multinational companies—the directive's principal target.

But any Irish efforts will run up against an apparently uncompromising British stand which is providing a convenient shelter for other governments not enthusiastic about the directive but not wanting it in principle.

The result is that discussions within a Council working group have been largely fruitless and bowed down by technical obfuscation. "We will not make any headway as long as Mrs Thatcher's Government is there," said one EEC official after a stale 45-minute discussion on the directive between EEC Social Affairs Ministers in Brussels last week.

So far, three governments have said that they can virtually accept the Commission's draft as its stands—France, Italy and Greece. Last week, the Netherlands joined West Germany, Belgium, Luxembourg and Ireland in accepting it in principle, but they all have technical reservations

Denmark has been closest to the UK in outright opposition, arguing that Community-wide legislation is inappropriate.

Despite a possible consensus between eight member states, officials say that dicussions over the lat ix month have not yet begun to produce a text vaguely acceptable to those which are broadly in favour of the legislation.

West Germany, for example, is stressing the difficulties of harmonising the Commission's draft with its own national legislation and practices while Belgium has similar preoccupations.

Madrid supports Alfonsin over debts and Falklands

BY TOM BURNS IN MADRID

PRESIDENT Raul Alfonsin of Argentina arrived yesterday in Madrid and received immediate assurances of Spanish support for Argentin's efforts both to renegotiate its foreign debt settlements on favourable terms and to initiate talks on the Falklands dispute.

After an initial meeting with Sr Dante Caputo, Argentina's foreign minister, Sr Fernando Moran, the Spanish foreign minister, said the two governments were preparing a joint statement that would be wide ranging "both in spirit and in mutual support." The statement, Sr Moran said, would underline the co-ordination of Argentine and Spanish foreign policies.

The Spanish foreign minister said that Spain understood Argentina's debt problems and that Spain would help "in as far as is able" in supporting the Argentine case before foreign debtors. Officials, meanwhile, said that Spain was ready to offer Argentina soft credit lines as a gesture of support.

On the disputed issues with the UK, Sr Moran said— referring to both the Falklands and to Gibraltar—that "both countries endure colonial situations and seek to achieve as soon as possible the full reintegration of their territories.

Bank study shows low British labour costs

By John Wicks in Zurich

LABOUR COSTS in the UK are among the lowest in the industrialised world, according to a study published by Union Bank of Switzerland.

In a list of 15 Western countries, only Ireland and Spain are shown as having cheaper manpower than the UK, where the cost per man-hour is put at the equivalent of SwFr 14.08 (£4.50) as against SwFr 25.57 in the U.S. SwFr 25.31 in Canada and SwFr 23.86 in Switzerland.

The fact that the UK is so far down the list is due only in part to low wage rates. In fact, pay per hour is due only in part to low wage rates. In fact, pay per hour is given as about SwFr 10.02 in the UK, as compared with SwFr 9.13 in France or SwFr 8.91 in Italy.

However, social contributions in Britain are low by international standards at about 41 per cent of hourly pay, as against 81 per cent in France and no less than 94 per cent in Italy.

The countries with the highest labour costs are those with by far the largest pay packets, though, and relatively small social-contribution payments. In the U.S. and Canada, these are even lower in relations to hourly wages than in the UK at 35 and 36 per cent respectively.

The high level of North American labour costs results partly from the stronger dollar exchange rate. The bank points out that in the years of the weak dollar five European countries paid more for an hour's work plus social contributions than the U.S. and Canada.

Japan is today far from being a low-pay country. In the period from 1970 to 1983, average hourly pay rates have gone up by more than 200 per cent in terms of Swiss francs.

Despite the lowest of all social-contribution rates of the countries in question (about 28 per cent in 1983), Japan now ranks dearer than the UK.

In the UK wage rates rose 473 per cent from 1970 to 1983 in terms of sterling, from about 55p to £3.15. When translated into Swiss francs, though, this represents an increase only only 77 per cent.

BERLINGUER LEAVES ITALY'S COMMUNISTS WITHOUT A COHERENT STRATEGY

Shy aristocrat with a steely grip on the party machine

ENRICO BERLINGUER was one of the most unlikely leaders that an Italian political party, let alone a Communist party, could ever have had.

Born into an aristocratic family, he was extraordinarily reserved and shy. Yet he managed to bring the Italian Communist Party as near to power as it has ever come since the immediate post-war period and was for a time probably the country's most popular political figure.

He struck out on his own line of independence from Moscow and tried to fit his party into the pluralist patterns of Italian democracy. This pursuit of what became known as Euro-Communism brought the Italian Communist Party into the forecourts of power, but no further. The historic compromise that Sig Berlinguer sought with the Christian Democrats never came about.

His grave, always unsmiling manner, and a public and private life that were above reproach, contributed heavily to making the Communist Party respectable. But these attributes were combined with a steely grip on the levers of power in the party and a total mastery of the party bureaucracy on which his position was based.

Born near Sassari, Sardinia, in 1922 Sig Berlinguer joined the Communist Party in 1943 and was briefly imprisoned under fascism. His career was spent in different parts of the party machine, until he was elected as an MP in 1968, and deputy secretary of the party the year after. He succeeded Sig Luigi Longo as party secretary, in 1972.

It was a turbulent time in Italian politics. The Government of the Centre-Left were finding it extremely difficult to guide the country through the trade union and student unrest that had begun with the "hot autumn" of 1969.

The Communist Party had newer ideas and was sufficiently distant from Moscow, to appeal to a wider electorate than its traditional working-class and highly regional base.

Between 1972 and 1976 Sig Berlinguer brought the party's share of the vote from 27 to 34 per cent, at which point it was only about four points behind the Christian Democrats.

The Christian-led Government, trying to manage the effects of the oil crisis found the co-operation of the Communists essential. Under Sr Aldo Moro the Christian Democrats gradually brought the

Sig Berlinguer . . . pursued a historic compromise

Communists to the point at which they were part of the ruling majority. But not in the Government.

That was as far as they ever got. Though Sir Berlinguer had skillfully managed to convince his party's most committed members that the only way of coming to power was in coalition with the Christian Democrats, there was a limit to how far he dared move the party.

The Christian Democrats, for their part, had no intention of conceding ministries to the Communists. The death of Sig Moro at the hands of terrorists in 1978 removed the chief architect of compromise. Sig Berlinguer in the end lacked the necessary political agility to see the project through.

The Communist vote declined in the 1979 elections and, from then on, the possibility of the Communists coming to power receded. The party gradually abandoned its strategy of seeking power in coalition with the Christian Democrats, aiming instead for an always implausible coalition of Left-wing parties.

This depended upon an alliance with Sig Bettino Craxi's Socialists that was never forthcoming. The leadership and image of the Communist Party aged with Sig Berlinguer and failed to produce a convincing strategy for the technological change and redundancies of the 1980s.

Sig Berlinguer's last act was to throw himself and his party into a violent campaign against Sig Craxi's Government. Determined that the Socialists should not steal the role of the Communists as the principle party of the Left.

The wage indexation measure which Sig Berlinguer opposed so furiously was finally approved a few hours after his fatal stroke in Padua last Thursday night.

He leaves a party badly in want of a coherent strategy and of dynamic leadership but also highly efficient in its organisation. It has moved progressively away from allegiance to Moscow with which it has had little official contact, since the imposition of martial law in Poland.

In most of its policies, it probably stands to the Right of the British Labour Party. But while it retains the name in which it has invested so much emotion, it remains disqualified from power.

Even at the height of his popularity in the 1970s, when supporters' called *him* Re Enrico (King Henry) Sig Berlinguer never lost his melancholy aloofness.

When a foreign reporter once asked his age, he told him to get the answer from the party's press office. His scruffy tweed jacket and badly knotted tie became hallmarks that added to his appeal, but his image as a vulnerable man concealed a tough and passionate interior.

JB

IMF team for Turkey amid economy fears

By David Barchard in Ankara

A SIX MAN team from the IMF is to return to Ankara on Thursday, less than a month and a half since the Fund's last mission left Turkey.

The delegation is to prepare a mid-term review of Turkey's one year standby agreement with the IMF which expires in December. IMF economists are believed in Ankara to be alarmed about trends in the economy.

Worries have been expressed in business circles about the performance of Mr Turgut Ozal's Government. Latest figures show that inflation has climbed to an annual rate of 59.4 per cent. Wholesale prices jumped by 7.4 per cent in May, and the wholesale price index has risen by more than 27 per cent since the beginning of the year.

Tax revenues so far this year are reported to be behind target levels.

Poland's new unions challenge for control of welfare funds

BY CHRISTOPHER BOBINSKI IN WARSAW

A FREELY elected workers' self-management council at the large Warsaw steel mill has clashed with management and the local new trade union over control of the factory's welfare spending.

The dispute has occurred as Poland's trade unions, set up to replace the Solidarity movement, are demanding changes in laws to give them control over welfare spending and housing funds. The funds are now controlled by management and the workers' councils.

The new unions, which claim 4.5m members despite a Solidarity boycott, aim to win more adherences by securing control of these funds which can play an important role in determining workers' standards of living.

Such changes would cut back the legal powers of the workers' councils which now exist in most of the more than 7,500 plants entitled to have them. These councils theoretically have a decisive say in management and have won the qualified backing of the banned Solidarity movement. According to some estimates, however, only a handful so far have the power and expertise to challenge and influence management decisions.

But at the Warsaw steel mill which employs 10,000 people, the workers' council has sought arbitration against Mr Tadeusz Conrad, the managing director. The conflict flared when Mr Conrad backed the new union over a holiday exchange scheme with an East German mill.

The union, which has 1,000 members at the mill, had announced that only members could participate in the scheme. The workers' council challenged the decision as discriminatory. In response the union has accused the council of breaking the law with a number of recent decisions and acting against the interest of workers.

One of the decisions is the demand by the workers' council that officials responsible for welfare spending be disciplined following the results of its examination of outlays last year and the year before.

The council found that the steelworks football team which occupies a lowly position in the national second division was costing one third of the welfare budget of Zl 103m (£67,000), or Zl 4,000 per worker per year. By contrast, spending on sports events and recreation for the workers themselves last year came to Zl 11 per head.

Italian Customs officials renew overtime ban

By James Buxton in Rome

ITALIAN CUSTOMS officials yesterday began an indefinite overtime ban which threatened to bring back the days of chronic delays to lorries at Italian border posts which occurred during a similar action last February.

The Customs men are protesting against the failure of a parliamentary committee to approve the changes in their working conditions and staffing levels, which were agreed by the Government after the February overtime ban. These include better pay and sharply increased staff.

In February queues of lorries many miles long, built up outside Italy's borders, especially at the Brenner Pass which leads into Austria and West Germany. The situation then was aggravated by very cold weather and industrial action by French Customs officials.

AMERICAN NEWS

Brazilian miners' threat of violence

By Our Sao Paulo Correspondent

THE 25,000 garimpeiros (gold prospectors) who have been banned from working at the Serra Pelada site in the north of Brazil threatened more violence last night if President João Figueiredo failed to ratify a law already approved by Congress, which would give them a three-year extension.

Gold mining rights at Serra Pelada had previously been awarded to Companhia Vale do Rio Doce (CVRD), a state-owned mining corporation which already holds the right to mine iron and other ores at the nearby Serra dos Carajas. The Bill sent to Congress on May 16 would grant a three-year postponement and would award CVRD a $57m indemnity.

In four days of demonstrations at Maraba, Imperatriz, and neighbouring towns on the fringe of the Amazon jungle, last week, angry prospectors wrecked three buses, a supermarket delivery lorry, half a dozen cars, a bank and several smaller buildings. They blocked two main roads in the region until a congressman, formerly an official overseer at the Serra Pelada site, negotiated a truce.

Last Friday, troops were flown into Maraba and Imperatriz and stationed at both airports. They were later withdrawn, which prospectors interpreted as a sign that the Government intended to comply with their demands.

Satellite theory

CAPE CANAVERAL – A clogged fuel filter on a rocket stage may be to blame for the loss of a $30m international communications satellite, now tumbling out of control around Earth, a Nasa official said.

Intelsat 5 went into orbit on Saturday on top of an Atlas-Centaur rocket but 23 minutes after lift-off mission controllers lost the rocket's second stage and the still-attached satellite

Mr Skip Mackey, launch controller, said a new system of 14 thrusters – designed to keep the upper stage flying straight – could have thrown the payload off course because of a firing malfunction caused by a clogged fuel filter.
AP

Robert Graham outlines the difficulties facing negotiations between the new president and the guerrillas

Shadow boxing around a dialogue in El Salvador

FOR ONCE in the four-year-old civil war in El Salvador, words have been louder than bullets. After less than a month in office, the new Salvadorean President, Sr Jose Napeoleon Duarte, has held out an olive branch of sorts to the Left-wing guerrillas and they in turn have responded with verbal concessions. In both instances, initial statements have been subsequently qualified, giving rise to a confusing game of shadow boxing.

Until now all efforts to promote a dialogue between the Government and the guerrillas have foundered. The Salvadorean military establishment blocked any serious effort under the previous administration of provisional President Alvaro Mangana, fearing that too many concessions might be made. The U.S. Administration for its part only gave half-hearted backing to negotiations, preferring first to see the military break the stalemate so that any talks be conducted from a position of strength.

The guerrillas themselves, grouped under the Faribundo Marti National Liberation Front (FMLN), did not appear serious about negotiations. They believed President Mangana could not deliver on any promises made and, furthermore, held out hope of making further military gains. The conditions they therefore posed were so hardline as to be almost unacceptable from the start.

However, the election of the Christian Democrat Sr Duarte to the presidency last month has brought at least two important changes. Firstly, Sr Duarte has known democratic credentials—he was defrauded of the presidency in 1972, tortured and sent into exile. The FMLM and its political arm, the Revolutionary Democratic Front (FDR) refused to take part in the presidential elections and over 20 per cent of the electorate could not vote because they were in areas held by the guerrillas.

Nevertheless, the poll was conducted in such a way as to make it hard for the FDR/FMLN to deny Sr Duarte as the popular choice.

This was implicitly recognised two weeks ago by the rebel Radio Venceremos in a broadcast, which refrained from harking on Sr Duarte's collaboration with the military government that took over in 1979.

Secondly, this legitimacy has given Sr Duarte a strength which his predecesor lacked in dealings with the powerful military establishment. Sr Duarte is still beholden to the military's goodwill in security matters and other key policies of state, but for the first time this is now tempered by a degree of military dependence on Sr Duarte.

His democratic credentials and promises of ending human rights abuses have swung U.S. congressional opinion behind full military and economic aid to El Salvador. Without this aid the economy would collapse and the war could not be pursued. U.S. aid this year will be worth over $550m.

A guerrilla in El Salvador checks national identity cards he took from villagers to prevent them voting.

The civil war itself, which has seen over 43,000 casualties, mostly among the civilian population, is stalemated. The electorate's rejection of the extreme right-wing candidate, Major Roberto d'Aubuisson, represented, however, a signal of the country's war weariness

The guerrillas during the past year have not managed to make any significant territorial gains. Numbering some 11,000, they occupy almost one-third of the country, principally along the northern border with Honduras around Chalatenango and west into Morazan Province with some pockets along the Pacific seaboard. These "liberated" areas are for the most part mountainous or swamp, not heavily populated. But the continuing sabotage of economic targets has had a devastating effect.

Given the poor equipment of the Salvadorean armed forces, their small number of front-line combat troops (no more than 25,000), low morale and continued lack of sufficient field officers, the guerrillas are able to determine the pace and nature of fighting. Since early this year they have taken to moving in increasingly large numbers of up to 400 strong at times, resulting in heavier engagements, and casualties on both sides.

It is therefore a tempting moment in which to put out feelers for a dialogue. The original basis for negotiation was a 1980 platform which was openly revolutionary and Marxist, calling for a new socialist basis for the state with a popular army.

The guerrillas this February dropped their insistence on a popular army in the new state, and instead talked of merging guerrilla forces with democratic elements of the Salvadorean military. The overall Marxist tone of the 1980 programme was softened. The main pre-condition for talks was the participation of the FDR/FMLN in a government of national reconciliation.

In the wake of Sr Duarte's election the latter pre-condition has been dropped. Nevertheless the guerrillas will not accept a ceasefire before beginning a dialogue. Sr Ungo said this week such a precondition would be tantamount to surrender. Yet it is precisely such a halt to the fighting that Sr Duarte is now insisting upon for the talking to begin.

Sr Duarte has publicly expressed the fear that the guerrillas are divided, with the politicians in the FDR like Sr Ungo talking peace, and the military in the FMLN pursuing the war. Divisions among the guerrillas have never been hidden since the ideology runs from social democrat through to hardline Marxist.

One strategy being pressed upon Sr Duarte is to wean away the moderate element in the FDR/FMLN, offering them the chance to take part in next year's elections to the National Assembly. This will only work if the new President can show concrete results in cleaning up the Right-wing death squads and ending human rights abuses.

Cynics argue that this shadow-boxing around a dialogue is merely a calculated exercise by both President Duarte and the guerrillas for public consumption—to demonstrate that both have made an effort to talk. This will then provide mutual justification for a resumption of hostilities when the rainy season ends in the autumn. The real pressure to negotiate will come from outside—

Executives guilty in U.S. tax fraud case

By Terry Dodsworth in New York

FOUR EXECUTIVES from two New York companies have been found guilty of tax fraud in a case described by the Internal Revenue Service (IRS) as the largest of its kind ever brought to a U.S. court.

In a five-week trial, the Government brought forward 22 witnesses against Sentinel Government Securities and Sentinel Financial Instruments, related companies which provided more than $130m of fraudulent income tax write-offs for show-business celebrities, bankers and executives.

The two companies were set up to provide tax shelter for wealthy clients through generating trading losses.

Internal Revenue investigators, however, found that many of the reported tax loss transactions of the two companies never occurred. Instead of buying and selling securities, Sentinel executives created fictitious documents based on prices picked up from stock market price tables in newspapers.

The four executives found guilty of attempting to defraud the IRS were Mr Michael Senft and Mr David Senft, brothers; Mr Walter Orchard and Mr Joseph Antonucci.

Chilean GDP shows upturn

By Mary Helen Spooner in Santiago

CHILE'S gross domestic product, which shrank by 2 per cent last year and by another 14 per cent in 1988, showed a 4.5 per cent growth during the first three months of this year over the same period last year, according to central bank figures released recently.

The biggest increase in activity came from industry, which the bank reports grew by 13 per cent during the period. Agricultural production grew by 7.1 per cent, with some predictions of an increase of 20 per cent for this year, as a result of the increased acreage under cultivation. The increases in both agriculture and industrial production are related to last year's rise in import tariffs from 10 to 20 per cent

People Express move sparks fare war

BY TERRY DODSWORTH IN NEW YORK

PEOPLE EXPRESS, the worker-owned, low-cost U.S. airline, has sparked off a fare war on the New York to Los Angeles route by launching a discount ticket which undercuts the present published rate by around $300m (£214m).

The expansion by People Express, which established itself initially on East Coast routes, has revived fears among the airlines that they may be forced into another period of losses after recovering last year from the previous discount war.

Over the last few months, there have been a number of indications that the expensive bout of cost cutting in the airlines last year was tempting some of them to use aggressive pricing as a marketing tool. Continental Airlines, for example, has re-emerged from its tussle with the unions to offer extremely low fares on some of its routes out of Texas.

The People Express move, however, is by far the most significant so far. The discount carrier, based at Newark, New Jersey, is now offering an off-peak trip across the U.S. for $119 (£85) or $149 during peak travel periods. This compares with published fares of more than $400 and a cheapest possible rate of around $200.

Both American Airlines, the main carrier on the transcontinental route, and United Airlines, another of the large domestic companies, have immediately matched People Express's standard peak fare. American has also said it will apply to any of its 14daily flights into and out of New York's Kennedy International Airport, although it has a 14-day advance purchase and a seven-day minimum stay requirement on the ticket.

The competitive battle has been joined in a more limited manner by Trans World Airlines and Pan American, the two big U.S. international carriers.

After steady earnings increases since its launch in April 1981, People Express suffered a hefty fall in the first quarter of this year, with profits dropping from $2.1m to only $18,000. The company put this down, however, mainly to increased interest costs caused by the expansion of its fleet.

Hart eases the pressure on Mondale

BY STEWART FLEMING IN WASHINGTON

SENATOR Gary Hart and the Rev Jesse Jackson, the two candidates battling Mr Walter Mondale for the Democratic Party's presidential nomination, yesterday attended the final meeting of the Democratic platform committee in Washington to outline the policies they think the party should adopt to defeat President Reagan in November.

With former vicepresident Mr Mondale now controlling, even on independent estimates, enough delegates to win the nomination at next month's convention, Senator Hart has responded to party pressure to cool down his campaign rhetoric in the interests of party unity.

He has already announced that he wiill not raise the issue of the "tainted" delegates at the convention in San Francisco on July 16-20. Before the final round of primary elections last week, both Mr Hart and Mr Jackson had been claiming that several hundred of the delegates Mr Mondale has won were collected in states in which he used funds which may have been employed in violation of federal election laws. Mr Mondale has promised to return the funds, but has argued that the delegates were won fairly.

Senator Hart's decision not to contest the delegates himself could remove the threat of an embarrassing and divisive floor fight at the convention, something Democratic Party leaders fear would do little for their chances in the presidential election if it were to be beamed into homes across the country next month.

Although Senator Hart has stoically refused to concede that Mr Mondale will carry the party banner in November and maintains that he is still a candidate for the nomination, he is making it clear that he will not attack Mr Mondale personally.

Senator Hart has also made it clear that he is not enthusiastic about joining Mr Mondale on the ticket as the vice presidential candidates. "I did not undertake this race to be vice president," he said. "I am not much good at taking orders."

WORLD TRADE NEWS

Tehran cuts imports as oil revenues are hit by Gulf War

BY TERRY POVEY

FACED WITH dwindling oil revenues and low foreign exchange reserves, Iran has imposed severe restrictions on imports. According to a senior Iranian banker, only baby food medicines and armaments are now being allowed through.

The move follows a record $2bn spent on imports during the Iranian year to March 20 1984 and the acummulation of short term-trade debts estimated by foreign bankers at between $4bn and $6bn. The country's foreign exchange reserves are not thought to amount to much more than $3bn.

Although Iraq's strikes on oil tankers around Iran's main terminal at Kharg Island have given a dramatic twist to the downward spiral of the country's revenues, the roots of the current crisis go back to last year. Then, in spite of the enormously costly Gulf War the country's leaders initiated an ambitious $170bn five-year economic development plan.

The result according to Dr Mohsen Nourbakhsh, governor of the central bank, was an import record and, when comparison is made with official oil export figures, a current account deficit for the year of around $4bn.

In order to cover the expenditure-revenue gap last year Iran persuaded a number of its major trade partners to accept payments on a credit basis. This form of trading began on a large scale last autumn with the first large batch of bills being presented for payment in January. Although every excuse was given to justify payment delays the message in the end from Tehran was that Iran simply could not pay its bills and that suppliers would have to wait.

As the revenue crisis deepened in February Iran blocked letters of credit for a list of 110 "non-urgent" goods. At the time the authorities assured Japan, West Germany and the UK that the payment delays were only temporary and would be resolved in March. However, in late March the central bank let it be known that the suspension would continue until June and in the last week has further restricted the goods it will allow through.

The effect of the suspensions on trade show clearly in the month to April 20—the most recent for which figures from Iran's Customs are available. Goods cleared into the country were valued at $828m—less than half the monthly average for the preceding year.

The tanker war has further exacerbated Iran's short term foreign exchange problems. For despite a reported recovery in oil liftings to around 1.5m barrels per day the large discounts being offered on these sales are likely to restrain revenues to between $800m and $1bn for May and June.

Although there is no question that Iran will eventually clear ites debts, the only way this can be done is by intensifying shortages within the domestic economy.

UN code on transnationals

BY OUR UNITED NATIONS CORRESPONDENT

THE UNITED Nations Commission on Transnational Corporations began a special session yesterday to try to complete a code of conduct for such businesses, two-thirds of which has already been agreed during seven years of negotiations.

The Commission has been asked to submit a final document to the UN General Assembly, which opens in mid-September, provisions so far agreed include those dealing with the disclosure of information on transnational corporations, consumer protection, environmental protection and ownership and control.

Officials said that the new session, scheduled to last until June 29, could well be a make-or-break exercise. It will be open to the participation of all 158 UN members, although the Commission normally comprises 50 states, including industrialised and developing countries.

A major disagreement on the scope of application of the proposed code concerns whether it should apply to public, private and "mixed" businesses.

Kier loses £60m Iraqi contract to S. Koreans

By Tony Walker in Baghdad

A CONTRACT held by Kier International of Britain for a road building project in Iraq is being transferred to a South Korean company because the project has run into funding difficulties.

Kier's problems are typical of those facing many foreign construction companies in Iraq. Companies are being asked to find alternative means of funding projects because Iraq no longer has the foreign exchange to meet all its commitments.

While a number of companies, notably those from Japan and South Korea, have been able to arrange re-financing of projects, others have fallen by the wayside

Kier's approximately £60m contract for an expressway in Baghdad will be taken over by the South Korean company Sam Sung which has been able to arrange financing for the project.

The death-knell for the Kier project was sounded in February last year when the company, which was in partnership with Mussad al-Saleh and Sons of Kuwait, was told by its client, the State Organisation for Roads and Bridges, that the joint venture would have to seek funding.

Protracted and difficult negotiations followed with the result the contract is being wound up. A problem for Kier was that because the project did not have an 85 per cent British component it was not entitled to financial support from the British Government under a credit being made available for projects in Iraq.

Varied financing arrangements are being made by foreign companies to stay in the Iraqi market which they are reluctant to desert because of the promise of significant renewed activity once the war ends.

Another British company — John Laing International, also involved in a road building project — managed last year to refinance its contract through Morgan Grenfell.

A British trade official in Baghdad said there was no danger of the collapse of the economy and if the war continues in its present phase "we see no great problems." Britain recently concluded an agreement with Iraq on a list of projects that would be suitable for funding under a £275m line of credit

EEC proposes to increase Canadian newsprint quotas

BY ANDREW FISHER

THE EEC has proposed an increase in this year's quota for duty-free newsprint imports from Canada, but conflict remains between the two sides over the future level of sales.

The Commission in Brussels has now agreed, subject to member states' approval, to increase this year's initial 500,000 tonne quota by a further 135,000 tonnes, with a further review in September.

Canadian negotiators said the extra allotment was welcome but inadequate. The disagreement has arisen because Scandinavian producers have had duty-free access into the EEC since January.

The EEC uses some 4m tonnes of newsprint a year, more than a quarter accounted for by British publishers. Canada has traditionally provided around 700,000 tonnes. But new capacity in the UK, West Germany, and Scandinavia has led EEC experts to the view that there will be less scope in the future for Canadian imports.

Canada has taken the matter to the General Agreement on Tariffs and Trade (Gatt) in Geneva, under whose auspices a 1.5m tonne duty-free quota for all non-EEC suppliers has previously been opened each year, with supplementary quotas then fixed as necessary.

Scandinavia no longer comes under this quota. So the Canadian government has argued that at least 700,000 tonnes of it should now be reserved for them. UK publishers, who use around 500,000 tonnes of Canadian newsprint a year, are among the strongest supporters of Canada's case.

A special Gatt panel is due to hear the matter soon. Written submissions from both sides must be in by the end of this month, with oral presentations on July 10.

Canada's main newsprint market is the U.S., which has been booming. But much new capacity has come on stream in North America, as well as in other markets.

Canadian producers, which generally view the EEC's attitude as protectionist, do not want their slice of the West European market to be eroded.

● The European Community will complain to Gatt about what it regards as Canadian discrimination against European wine, beer and spirit exports, Community officials said yesterday, Reuter reports from Brussels.

The Community has long been unhappy about what it considers an excessive price on Community products set by Canada's provincial liquor boards.

Foreign technology will play a key role. **Colina MacDougall** reports

China chooses the nuclear solution

CHINA APPEARS to have made a firm decision that nuclear power plants will play a major role in its economic development, and that foreigners will make a key contribution to setting up the industry. While in the foreseeable future these plants will satisfy only a small part of the country's total power needs, they will supply the industrially vital but power-starved eastern seaboard.

The report last month that China was to sign a nuclear co-operation pact with Brazil covering joint uranium prospecting and the construction of power stations was only the latest in a flurry of Chinese agreements on the peaceful uses of nuclear power.

In early May, China signed an agreement on co-operation with West Germany in nuclear research and the building of power stations: in late April came its much-heralded pact with the U.S. on a framework for the transfer of nuclear technology and in March an agreement with Japan for the purchase of a pressure vessel for its 300 MW nuclear power plant at Qinshan near Shanghai.

At the same time, China has placed orders with the Swedish welding specialist ESAB for welding equipment to go to plants in Deyan, Sichuan province and Harbin, in Heilungjian, apparently destined to be the centre of China's future nuclear engineering industry.

It is perhaps only because the May visit to China of Mr Ivan Arkhipov, the Soviet Deputy Premier, was postponed for political reasons, that the Chinese are not also discussing potential purchases of nuclear reactors with the Russians.

Chinese Prime Minister Zhao Ziyang with President Francois Mitterrand on his recent visit to France . . . reaching out for foreign assistance in nuclear technology.

Fang Yi, Chairman of China's Scientific and Technical Commission told Japanese visitors in April that Moscow had recently offered to sell such equipment "unconditionally," and that such sales might be discussed during Arkhipov's visit.

The Chinese have also announced that they have begun to build the infrastructure for the planned 1,800 MW nuclear power plant at Daya in Guangdong province. The Anglo-French consortium of GEC and Framatome, which has been discussing supplying the plant for several years, has delivered proposals on which the Chinese are expected shortly to open negotiations. The consortium is hopeful that the contract will be signed before the end of the year.

China intends to start construction of two nuclear power plants in the present five-year plan period (1981-85) and two in the next (1985-90), Vice-Premier Li Peng said in mid-April. The Guangdong plant, and the 300 MW installation at Qinshan near Shanghai, constitute the nuclear element in the current plan. The two due during the next plan are scheduled for east and north-east China.

Professor Jiang Shengjie, president of China's Nuclear Society, confirmed, also in mid-April, that China expects to build nuclear power plants with a total generating capacity of 10,000 MW by the year 2000.

Professor Jiang added that China would mainly use pressurised water reactors for the first generation of power plants. It would concentrate on the 1,000 MW category, build them mainly in the economically-developed but power-hungry coastal areas and step up exploration and exploitation of uranium deposits.

At the same time, China would build a small experimental fast breeder reactor to pave the way for the construction of such plants in the next century, Prof Jiang explained. The ultimate goal was a controlled nuclear fusion reactor which China was currently researching.

China will clearly need foreign technology and equipment to fulfil this plan. Besides the existing Anglo-French and Japanese involvement, West German participation in the Qinshan project and in the two plants scheduled under the next five year plan, is under active discussion. And with its April framework agreement with China, the U.S. is expected to take a major slice of business.

The foreign cost of the nuclear programme is roughly estimated at $20bn. But China does not appear deterred by the expense.

Although it has probably the biggest fossil fuel reserves in the world and huge untapped resources of hydropower, developing these will require much time, infrastructure and money. Neither the coal nor the hydropower is conveniently placed for China's most rapidly developing regions, and the nuclear solution is probably quicker.

Peking is believed to have been much impressed by the successful French nuclear power programme. While there appeared to be a political debate in China over the safety of nuclear power (there was a long hiatus in Peking's discussion of the topic after the American Three Mile Island accident) any doubts seem to have been resolved.

Experts familiar with the Chinese power industry believe its plans may be over-optimistic, however. "Building nuclear plants is among the most difficult enterprises in the modern world," one said.

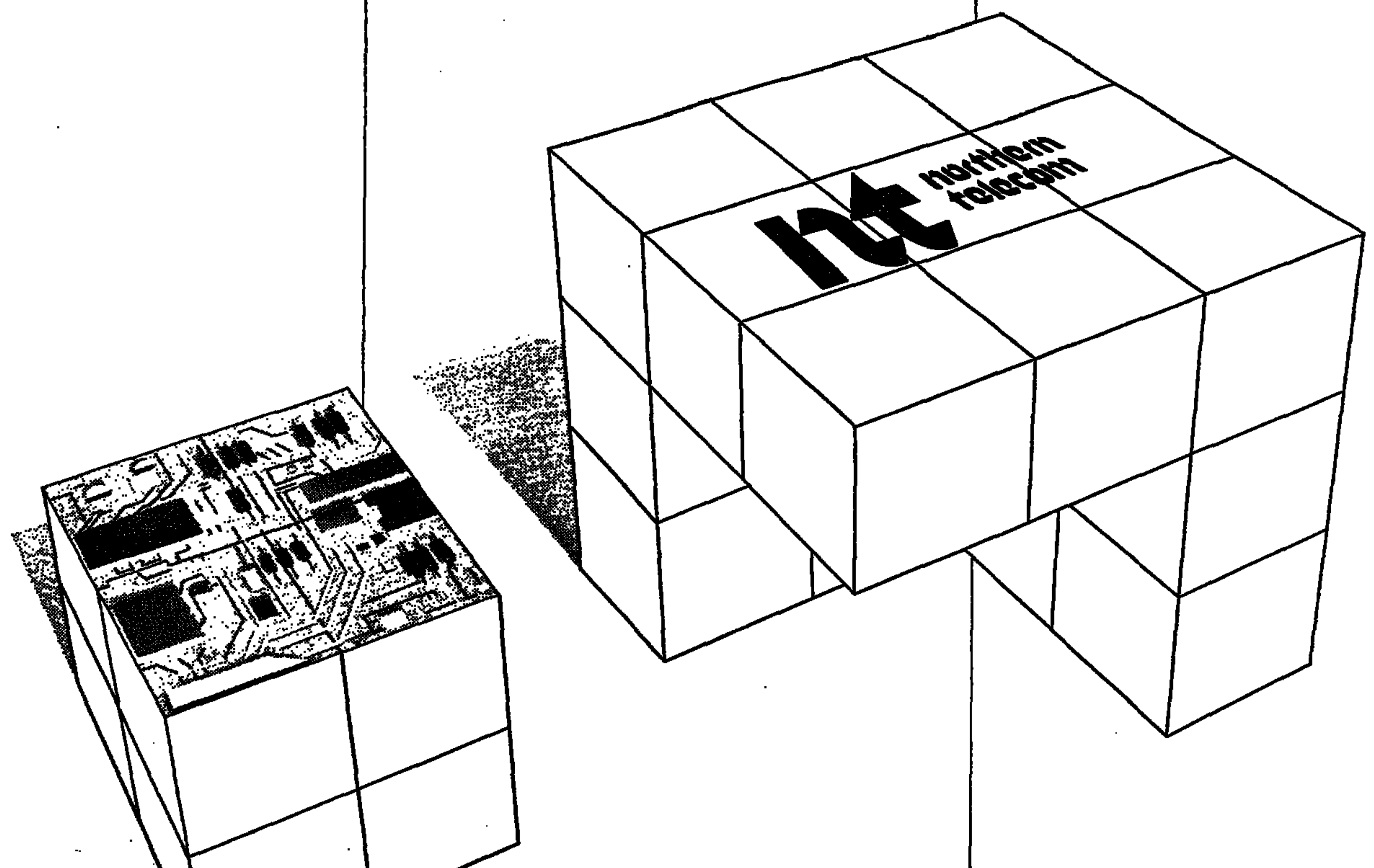
Though China has had some nuclear technology for 20 years, it has experienced problems with building large plants in other sectors—the much-postponed steel complex at Baoshan, for instance. The searching feasibility study for the Guangdong power plant showed it was economically and technically viable, but it remains to be seen whether the rest of China's nuclear power programme will be, too.

CHINA AND Australia have signed an agreement opening the way for Australian companies to become involved in modernising and expanding China's steel plants, Mark Baker reports from Peking.

The agreement will involve four or five of China's biggest steel plants.

A technical mission of Australians will tour the plants next month and report on potential upgrading work by Australian companies. Their recommendations will be examined by officials from the two countries by September.

NORTHERN TELECOM. BUILDING THE TELECOMMUNICATIONS FUTURE.



RESEARCH AND DEVELOPMENT: THE CORNERSTONE.

Today's telecommunications revolution began with an idea: to create a digitally based global communications network so comprehensive that, through the use of intelligent terminals, information will be organised, stored, accessed, and retrieved from any source in the world. That idea was nurtured in the Northern Telecom laboratories of Bell-Northern Research Ltd. For more than a decade, BNR engineers and scientists have been developing the products and systems that are translating that vision into reality.

A FIRST WITH DIGITAL WORLD

Their efforts resulted in the 1976 announcement of the Digital World*. With Digital World, Northern Telecom became the first company in the world to commit to the development of a complete family of **fully** digital telecommunications systems. Today, as a result of Northern Telecom's leadership, analogue technology, on which the international telecommunications grid was based for a century, is being replaced by fully digital systems. Other manufacturers have since followed the same digital route.

To maintain its two-to-three year lead over all the other telecommunications manufacturers in the world, Northern Telecom annually invests nearly 10 percent of worldwide revenues in research and development. Annual spending on R&D, which was £18 million in 1973, grew to more than £175 million, nearly 10 times as much, in 1983.

Bell-Northern Research, one of the largest private industrial research and development organisations in North America, with some 3,700 employees, operates six laboratories in Canada, and four in the United States. In the United Kingdom, a new BNR facility is being established near London where, initially, 70 employees will be working on international versions of Northern Telecom's circuit and data packet switches.

In addition to BNR, Northern Telecom also operates some 27 R&D centres associated with its manufacturing facilities in North America and the United Kingdom.

More importantly to its customers, Northern Telecom's R&D is market-driven.

ANTICIPATING THE NEEDS OF CUSTOMERS

New-product development addresses the anticipated needs of Northern Telecom's customers and of developing markets. It protects the investment of Northern Telecom's customers by constantly evolving systems as technology progresses, rather than making them obsolete, a generation at a time.

Northern Telecom is also a global leader in developing advanced semiconductor technology. For example, the world's first single-chip filter codec (coder-decoder) was developed by Northern Telecom in 1978. The company has produced millions of them. In 1981, Northern Telecom leapfrogged its own technology with the E-99 line card chip. The E-99 performs all the functions of the first codec, plus those of another chip of similar complexity, and more than 30 additional electronic components. This reduces the cost of switching systems and improves reliability. Today, Northern Telecom's competitors are only just beginning to produce single-chip filter codecs.

Bell-Northern Research has designed and developed an unequalled list of advanced, fully digital, telecommunications and information-management systems products. A few of these leading-edge products include:

SL*-1 DIGITAL BUSINESS COMMUNICATIONS SYSTEM—a fully digital PBX (private branch exchange) integrating a proprietary, featured key telephone. The SL-1 is the largest-selling digital PBX in the world with almost three million lines installed in 45 countries. The SL-1 was the first PBX to offer integrated voice and data capability.

SL-10 PACKET SWITCHING SYSTEM—bundles data into packets of information, each containing its own destination address. Major systems have been sold to Telecom Canada, the West German Bundespost, the U.S. Federal Reserve System, and other customers in the U.S., Belgium, Austria, Switzerland, Portugal, Hong Kong, the U.K. and the Republic of Ireland.

DMS*-1—the Digital Multiplex System most widely used by telephone companies in rural areas. DMS-1 can serve up to 256 lines over just four pairs of wires. DMS-1A systems, designed to meet CCITT recommended standards, have been installed in the British Telecom network.

DMS-10—designed to handle the needs of smaller communities requiring service for up to 8,000 telephone lines. It is the largest-selling digital switch in the world. The DMS-10M is a specially designed compact version housed in a mobile cabinet on wheels. The packaged design virtually eliminates the need for engineering by telephone companies, permitting rapid and unassisted installation.

DMS-100—developed to meet the needs of larger communities and cities needing a big switch for local calling. DMS-100 can serve up to 100,000 telephone lines and, with its Remote Line Modules, can economically provide service to smaller communities in surrounding locations.

VANTAGE* 12/48—a family of microprocessor-controlled, electronic key telephone systems designed for the small-business user, which can handle up to 16 lines and 48 extensions.

DISPLAYPHONE*—the world's first integrated voice and data office work station. This advanced telephone can transmit and receive data in one convenient desk-top unit.

The digital systems of tomorrow, conceived, designed, and manufactured by Northern Telecom, continue to set worldwide performance standards.

For more information on Northern Telecom and its products contact: Northern Telecom plc., Berkeley Square House, Berkeley Square, London W1X 5LE. Telephone: 01-491 4599.

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THE LARGEST SUPPLIER OF FULLY DIGITAL SYSTEMS IN THE WORLD.

TECHNOLOGY

EDITED BY ALAN CANE

AGRICULTURAL GENETICS EXPLOITATION IN FOOD PRODUCTION

Country cousins of biotechnology

BY DAVID FISHLOCK, SCIENCE EDITOR

SLIGHTLY NERVOUSLY, scientists with the Agricultural and Food Research Council await the first business plan of a minuscule Cambridge company set up last summer. The plan will be an important test of the "relevance" of their work at the frontiers of biotechnology.

The test is whether the company can find, in AFRC's essentially academic research programme of about £100m this year in support of over 5,000 university scientists, enough promising biotechnology leads to launch a new science-based business that the City and big business will back. Dr Ralph Riley, who as secretary runs the AFRC, has no doubt that in order to pass, the venture needs to attract investment from companies of the calibre of ICI, Shell and Unilever.

The venture, called Agricultural Genetics Company (AGC), has been created by the British Technology Group as a way of exploiting the AFRC's research in genetic engineering in plants. Initially, they talked of a "country cousin" to Celltech, the genetic engineering company created in 1980 to exploit the drug-related research of the Medical Research Council.

AGC can be no carbon copy of Celltech, which swiftly picked out promising MRC research, transferred the technology to its laboratories in Slough, and had its first products launched by 1982. In agriculture, there are even those who question the relevance of the more productive practices genetic engineering seems to offer, at a time of great political debate about farm surpluses in Europe. Will inexpensive growth hormones that boost milk production still further simply be an embarrassment?

But for the British public, a potato made much more resistant to diseases could be a cheaper potato. A quick method of rotting straw in the fields could mean an end to stubble-burning. These are just two leads from AFRC laboratories that AGC is eyeing.

Unlike Celltech, AGC plans no laboratories of its own at present, and no council of eminent science advisers. The AFRC institutes and units scattered throughout Britain are to be its laboratories. Dr Riley, as an AGC board member, is the bridge. He, himself, is advised by a research priorities board recently appointed by the government, under the chairmanship of Sir Kenneth Durham, Unilever's chairman. Dr Riley and Professor Ron Bell, chief scientific adviser to the Ministry of Agriculture, both sit on this board.

Early in discussions about the "country cousin," a decision was taken to narrow AGC's purview to the biotechnology of crops. Animal-related genetic manipulation could be picked up by Celltech or could even require another company for exploitation, it was said.

The AFRC identifies research, costing about £6m a year, as relevant to AGC's potential business. This is a substantial effort for a company launched on an investment of only £750,000, so far. Broadly, this covers the research on novel techniques in plant breeding. Conventional plant breeding by AFRC will continue to be exploited through the state-owned National Seed Development Organisation.

So far, AGC itself has supported only one piece of research by AFRC — and that using government money. It has placed a research contract with the Glasshouse Crops Research Institute to field-test "cocktails" of natural microbes mixed by Dr Jim Lynch, which show promise of accelerating the bio-degradation of straw and stubble into compost.

The recent report of the Royal Commission on Environmental pollution calling for a ban on stubble-burning has given fresh impetus to AFRC research of long standing. Dr Lynch's cocktails work well in the moist, airless confines of a reactor. The question is whether they will work well under less readily controlled conditions of the open field.

Using money put up by the Department of Industry—not by shareholders—AGC has placed a £250,000 contract with Dr Lynch's institute for field trials that he hopes to start making in the autumn of 1985.

Bio-control of crop pests — using one organism (such as a microbe) to attack another—is another long-standing AFRC research effort now thought ripe for exploitation. The attraction lies both in the numerous insects still uncontrolled by chemical pesticides, and in the way pests are beginning to escape from chemical control, by developing resistance to insecticides and fungicides.

Tate and Lyle has scaled up the biotechnology for breeding several organisms isolated by the Glasshouse Crops Research Institute, including fungi for the control of aphids and white-fly. Dr Stephen Lisansky, responsible for research on microbial pesticides, addressing the Biotech '84 conference, drew some sharp comparisons between the costs of new chemical and biological agents. Whereas a new chemical pesticide could cost £12m to develop and would need a £30m a year market to recoup the investment, a bio-agent might be found for £0.4m, and could prove profitable in markets worth less than £0.6m a year, he claimed (see table).

Biocontrol versus chemical control of pests

	CHEMICAL	MICROBIAL
New product discovery	Screen 15,000 compounds, discover afterwards what targets they control	Target selected on market need: microbial control agents often easy to find
Cost of R & D	£12m	£400,000
Market size required for profit	£30m p.a. to recoup investment; limited to major crops	Markets less than £600,000 p.a. can be profitable due to low development cost
Patentability of product	Well-established	Recent precedents are encouraging
Kill	Often 100 per cent	Usually 90-95 per cent
Speed	Usually rapid	Can be slow
Spectrum	Generally broad	Generally narrow
Resistance	Often develops	None as yet shown, but microbes also adaptable

A third area of current commercial interest, which could feature in AGC's business plan, are the *Rhizobium* species of nitrogen-fixing bacteria. Before AGC was born last summer, the British Technology Group had financed a small biotechnology operation at the AFRC's Rothamsted Experimental Station to culture these bacteria for sale as innoculants for soils used to grow peas and beans.

The AFRC has a big programme of research on these nitrogen-fixing organisms, based at its John Innes Institute. It has been able to change the host - specificity of some organisms. The opportunity is opening of innoculating relatively infertile ground, such as former claypits, and make it productive.

All three are examples of work the AGC may try to exploit quickly to bring in some revenue for the support of longer-range targets. High on this list must surely be the disease-resistant potato — "the crop of the next few years," as Dr John Ingle, scientific adviser on biotechnology to AFRC, puts it.

AFRC scientists have developed a tissue culture technique which starts with leaves of the potato plant. Cells from the leaves, stripped of their cell walls by digestion, can be induced to reform into mature potato plants. Ten British and European species have been cultivated in this way.

The potato is very resistant to improvement by conventional plant breeding, and thus to the removal of its defects, that way. But AFRC scientists have recently gone a big step further with tissue culture. They have shown that they can innoculate cells with foreign genes — the first major crop to be "transformed" in this way with the subsequent recovery of whole plants. It opens the way to innoculation with genes that will confer disease resistance, disease being one of the main reasons for low potato yields.

Even with crops that are amenable to modification by plant breeding, tissue culture has begun to show promise of cutting two or three years from a typical plant breeding cycle. The implanting of foreign genes, isolated by genetic engineering, foreshadows still more dramatic changes.

What has emerged from an AFRC review of its biotechnology activities, is the need for more emphasis on the fundamentals of plant biochemical processes. "It's not the technology that's going to be difficult," says Dr Ingle. "It's pinpointing the gene we must go for."

Viewing the future of the video world

Video & Film

BY JOHN CHITTOCK

THE WORLD'S first instantaneous moving picture on television was produced in 1923 by John Logie Baird—the beginning of a controversy that would be familiar today in the video, cable TV and satellite industries. The great debate then, as now, was over the future.

A year later when some 40 members of the Royal Institution saw a demonstration in Baird's workshops (now Bianchi's restaurant in Frith Street), one is alleged to have said: "Well, what's the good of it when you've got it?"

The story of television in Britain up to 1939 is the subject of a highly readable book just published by the BBC and the Royal Television Society—*Here's Looking at You*, by Bruce Norman (£12.95). If a leit motif emerges in the early chapters, it is certainly the controversy about the future. Even Baird hedged his bets in one statement still unresolved today—"television will never supplant the legitimate stage or motion pictures."

It is gratifying to report that at least one journalist got it right, F. H. Robinson who wrote in *Kinematograph Weekly* in 1924: "in the course of time we shall be able to see on the screen the winner of the Derby . . . watched by hundreds of thousands."

If there is a suspicion of smugness in finding that prediction gratifying, it may be because this column—under my own by-line—reached its 21st anniversary yesterday and has achieved a fair record in forecasting the remarkable changes of that period.

The brief in 1963 was industrial films, but within four years videotape was first seriously covered in an article which concluded: "when the video revolution comes, it may be very big indeed."

The futurology progressed to very early coverage in 1970 of what was then known as "TV cassettes," then on to teletext and cable TV in 1972 and the political machinations of the Annan Inquiry into the Future of Broadcasting in 1977—which rejected access to cable TV by commercial operators.

Yet Baird had seen the technical future in the 1920s, demonstrating not only video discs and colour TV, but even the forerunner of thermal image systems (viz. TV which can see in total darkness). Bruce Norman records at length these remarkable achievements—and also the early antagonism of the BBC which seemed less concerned with the possibilities, more with its correct belief that Baird had developed the wrong system ("the Baird method, therefore, is either an intentional fraud or a hopeless mechanical failure").

Broadcasters were even more cynical about video in the 1970s, as were indeed the film industry. No longer: as exemplified by the BBC's release last month of a videocassette series about video production — available through one of Britain's more important distributors of video programmes, BBC Enterprises.

For an example of video's impact on the film industry, one could do no better than travel to Brighton next week where Britain's annual festival of sponsored films and video programmes will be held. This year the video entries exceed in number the film entries for the first time—172 to 146.

Since 1963, when this column was originally concerned only with industrial films, it has seen video decimate the traditional companies in the industrial film business—such as the well-known Film Producers' Guild (a consortium of 13 leading production companies), now no more. Indeed only one really big company from those days survives—World Wide Pictures.

Its survival is due to early diversification into video, which now comprises about half of World Wide's total production output. The company has shifted the past emphasis on international documentaries (including an Oscar winner directed by Lindsay Anderson—*Thursday's Children*) to a stream of more functional work for training, employee communication, and hard marketing—most of which finishes up on video when originated on film.

The game of trying to predict what will happen next in this capricious business is of course crucially important to those who make the financial decisions. In the hardware business this is especially true—policy changes cannot be made overnight as they can in programme production.

Another event of recent weeks which should help the futurologists was this year's Consumer Electronics Trade Exhibition, held in London over the Spring Holiday. The forerunner of this, RadiOlympia, provided the first public demonstrations of television in 1936.

But no real pointers or surprises this time. Indeed, trade interest in CETEX seemed somewhat lethargic. Technical evolution has reached a plateau, and one must look in other directions to anticipate the next major issues. The clue is provided in figures from Mr Cliff Parris, chairman of World Wide Pictures.

"Eight years ago we made a film in UK, West Germany and the South of France for £32,000. Today it would cost £112,000 but that same sponsor would never contemplate such a price."

Thus, our expectations are for everything to get cheaper as society becomes more efficient. And why not, you may ask? As Bruce Norman points out in his book, a television set in 1936 was equivalent to one-quarter the price of a fair-sized house.

The fledgling cable TV industry is already finding, however, that moving pictures are still expensive — yet the public expects to receive its viewing even more cheaply than going to the cinema. Programme production is expensive because of the time involved: it is a creative process with little scope for technical and productivity improvements as in TV set manufacture.

In the next few years, the technologists will offer some ways for producers to cut costs—as, for example in the time-consuming editing process. But as the demand for programme fodder increases, the pressure to force production costs down will create an intolerable conflict where something has to give.

That, perhaps, will be the next big issue—will the viewer pay more, or the programmes get worse? Or will industry be given more opportunity to pick up the bill through sponsorship and advertising? Full circle to 1963 and the salad days of industrial films.

Engineering

Lifting equipment

A LEADING crane manufacturer is trying to persuade heavy-engineering companies to "cannibalise" existing hardware with a view to using the parts in new, improved lifting equipment.

Carruthers, based in East Kilbride, near Glasgow, took apart a nine-year-old crane it had originally supplied to Redpath Dorman Long. From the components it fashioned two new cranes at a cost of £100,000 for Richard Lees, a subsidiary of Redpath Dorman Long which makes pre-cast concrete floors in a factory at Addiewell, near Bathgate.

Carruthers says the deal saved the customer about £40,000 and advises owners of other old cranes to cash in on their equipment in a similar way.

Television

High power transmitters

PEOPLE IN Northumberland should get better reception of the second ITV channel, thanks to the installation of new high-powered transmitters from Marconi Communications Systems of Chelmsford.

The Independent Broadcasting Authority is erecting the transmitters at Chatton, Northumberland. Engineers have already installed similar hardware in 24 stations around Britain, as a result of a £10m order that the IBA placed with Marconi five years ago.

UK NEWS

Michael Donne looks at the planned reorganisation of air transport

BA battles over 'raid' on its routes

In conflict over air routes: Lord King, chairman of British Airways, left, and Sir Adrian Thomson, chairman of British Caledonian

LORD KING, the resolute chairman of British Airways, is about to launch his own counter-attack to the many assaults on his airline from the independent airlines.

Last week, Lord King revealed that BA had achieved a profit before interest and tax of £294m in the year to March 31, and believes that after the retrenchment of the past two to three years, the airline is now well on the way to a long-term recovery, and is well suited to privatisation in the spring of next year.

Over the next few weeks, he will respond to the persistent attacks on BA from Sir Adam Thomson, chairman of British Caledonian Airways, and the other independent airlines, who believe that, once privatised, British Airways' already dominant position in the UK and world airline market place will be considerably strengthened, so as to enable it to stifle, if not eliminate, the independent sector.

Fearful of this situation emerging, various independents have suggested that, under the current Civil Aviation Policy Review, the Government should reallocate a substantial proportion of BA's routes and aircraft to the independent sector, with most of those routes going to BCal, although others have sought to exclude BA from most UK domestic air routes and the UK holiday charter flying market.

Lord King's response has been forthright. He has described it as a "smash and grab raid" on BA that he will resist at all costs.

The battle to prevent any carve-up of BA prior to privatisation in the spring of 1985 will have to be fought very much in the dark, without either BA or the independents knowing what the CAA has recommended, or what the Government's views are. Lord King thus believes there is still time to sway the Government, in the period between it receiving the CAA's report and the announcement of its decisions, and so he is ready to do battle with the independents more publicly than before.

He believes there is no time to lose in trying to convince not only the Government, but also MPs of all parties, and the travelling public, that BA is far better left alone, and that if it is to be privatised at all, it should be privatised as it stands.

He is supported to a considerable extent by City opinion, which believes that whereas BA could be successfully privatised as a going concern with its present route structure, it would be far more difficult, if not impossible, to do so if the airline were to be truncated. This is because no-one would really know what kind of track-record a substantially diminished BA, facing independent airlines gorged on BA's routes and aircraft, could achieve, whereas at present BA does have the substantial recovery revealed in its latest balance sheet to support its claims to be left intact.

Lord King is moving into action, with a £2m advertising campaign to try to counter the independents. He feels the time is ripe, because it is over the next few months that much of the detailed planning work in preparation for privatisation, both in the airline and by its merchant bankers, and by the Treasury, will reach the stage where the formal prospectus for the forthcoming offer of shares will be drawn up, for publication early next year. This means that if the Government is serious about privatisation by next spring, it will have to make its own views and decisions about the size of BA publicly known by the end of this year, and preferably well before that.

Lord King is now prepared, however, to fight much harder. "We have let them (the independents) get away with it for too long," he says. "We are going to hit back. Indeed, we *are hitting back already, with a* visible improvement in the quality of service we offer our customers world-wide."

The airline's profit for 1983-84, which represents a turn-round of over £800m from the losses of £545m in 1981, has been achieved by the massive retrenchment programme, involving cutting staff by more than 20,000 to 36,000, retiring or selling off some 80 ageing or surplus aircraft, cutting loss-making routes and closing some overseas stations, and selling off unwanted assets such as buildings and other properties.

The retrenchment will continue, although from now on it will not be anything like as dramatic as over the past two to three years. Staff numbers may drift down a little more, and more ageing jets, such as Tridents, will be cleared out of the fleet. "We are identifying new cost savings all the time," says Lord King, "and we intend to go on implementing them."

With the 1983-84 financial results to support him Lord King feels that BA can be privatised in its present form without qualms.

He is also convinced that if the Government listens to the independents pleased to be given bits of the airline, the future of BA could be jeopardised, and privatisation itself substantially delayed.

"It is the opinion of myself and my board that such route transfers would represent straight substitution of one airline for another, and as such would provide no increase of choice, or nor any other benefit, to the consumer. Those who preach competition, and then propose that British Airways should be curtailed from offering it, or removed from providing any services on a route, are suggesting repression rather than freedom of compeition.

"All concerned in British Airways, have, by very considerable effort and some sacrifices, constructed our present efficient, sustainable and successful route structure. I am firmly of the belief, and so is my board, that it is not in this country's interests, nor that of the public itself, to curtail our competitive services by the arbitrary removal of routes and services.

"Furthermore, any moves in this direction would have far-reaching consequences, not only on our international standing vis-a-vis other world carriers, but also on the financial prospects of the company. There is also the effect such moves would have on the morale of staff, and on the potential for extensive further redundancies, with considerable increases in costs."

What particularly annoys Lord King and many senior managers in British Airways is that neither he, nor so far as is known, the Government, have been told precisely by British Caledonian what routes the independent airline wants to acquire.

"We are being asked to fight with one hand tied behind our back," said Lord King. "What is Sir Adam frightened of? Why does he not come out into the open and tell everyone just what he wants to grab from us?

"Furthermore, would Sir Adam really be capable of taking over the routes he wants, without any interruption in the continuity or quality of service? Is he prepared to invest in those routes in the future the very considerable sums that BA and its predecessor BOAC has ploughed into them over many years? Who has produced that magical figure of £250m. Sir Adam says is the value of the routes and aircraft he wants to acquire? Who has told him just what investment BA has put into these operations, or what its revenues are, and the profits?

"All these things should be publicly spelt out by Sir Adam and his other independent airline friends, before *either* the CAA or the Government can even countenance any consideration of his case. Then BA itself can give its own blow by blow answer to this attempted predatory raid on its assets."

Lord King's campaign to fight off the raid will take several forms. Apart from the advertising campaign and programme of meetings, there will be a further strong effort to improve the levels of competition, by improving BA's service to the customer. "We have pulled ourselves up by the bootstraps, and we intend to go on doing so. It is the thought uppermost in our minds — how we can go on getting better and better, because that is the way we see ourselves earning profits, both before privatisation and after it. Keeping our costs down, keeping our staff morale up and their motivation strong—which is what our new profit-sharing scheme is all about—and doing everything we can to stimulate traffic, are all part of the plan.

"We are marketing ourselves far more aggressively now than we have ever done in the past, and we intend to go on doing just that. We have already become much more commercial, and we are going to go on doing that, too. They (the independents) are frightened of our power after privatisation. We are going to show them before privatisation just what competition is."

Over-the-Counter Market

1983-84 High	1983-84 Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
142	120	Ass. Brit. Ind. Ord.	131	—	6.4	4.9	7.7	10.0
158	117	Ass. Brit. Ind. CULS	143	—	10.0	7.0	—	—
78	59	Airsprung Group	69	—	6.1	10.3	16.9	16.9
38	21	Armitage & Rhodes	35	—	1.4	4.0	—	—
330	141½	Bardon Hill	317	−1	7.2	2.3	12.9	28.3
58	52	Bray Technologies	52	—	3.6	6.9	6.0	8.7
201	193	CCL Ordinary	193	—	12.0	8.2	—	—
152	121	CCL 11pc Conv. Pref.	142xd	−5	15.7	11.0	—	—
540	100	Carborundum Abrasives	525	—	5.7	1.1	—	—
249	100	Cindico Group	103	—	—	—	—	—
68	45	Deborah Services	68	—	6.0	9.1	35.3	57.4
224	75	Frank Horsell	224	—	—	—	9.4	15.4
203	75½	Frank Horsell Pr Ord 87	203	—	8.7	4.3	8.5	14.0
69	25	Frederick Parker	25	—	4.3	17.2	—	—
39	32	George Blair	35	—	—	—	—	—
80	46	Ind. Precision Castings	49	—	7.3	14.9	13.6	16.9
2185	2150	Isis Ord.	2180	—	150.0	6.9	—	—
366	134	Isis Conv. Pref.	360	—	17.1	4.8	—	—
124	61	Jackson Group	112	−2	4.9	4.4	5.2	10.1
255	169	James Burrough	250xd	−5	11.4	4.6	13.8	14.2
426	275	Minihouse Holding NV	425	—	3.6	0.9	30.6	33.5
176	90	Robert Jenkins	90	−1	20.0	22.2	10.5	7.0
74	54	Scruttons "A"	54	—	5.7	10.5	9.0	6.5
120	61	Torday & Carlisle	74	—	—	—	8.0	16.4
444	386	Trevian Holdings	431	—	—	—	8.8	8.0
25	17	Unilock Holdings	18	—	1.0	5.5	11.8	17.1
92	65	Walter Alexander	36	+1	6.8	8.0	6.6	10.0
276	236	W. S. Yeates	244	—	17.1	7.0	5.9	11.7

UK NEWS

MPs CONDEMN 'COMPLACENCY' OVER BRITAIN'S IMBALANCE WITH REST OF EEC

Government accused over trade deficit

BY PETER BRUCE

AN ALL-PARTY House of Commons committee has strongly criticised the Government's approach to the worsening imbalance in trade of manufactured goods between the UK and the rest of the European Community.

At the same time, in the committee's report published yesterday, Ford (UK) has argued strongly for the authorities to encourage a lowering of the sterling and D-Mark exchange rate to improve UK competitiveness in the Community.

Last year the UK recorded its first peacetime trade deficit in manufactured goods, nearly £5bn. This was partly due to a continuing and rapid deterioration in the terms of trade with the EEC and the two prospective members, Spain and Portugal.

The Trade and Industry Committee's report on its inquiry into the deficit with the Community accuses the Government and, in particular, Mr Norman Tebbit, Trade and Industry Secretary, of being "both complacent and shortsighted" in failing to take up the problem.

Mr Tebbit had angered the MPs by arguing that while the deficit with the Community was to be regretted, "it should not be regarded as overwhelmingly tragic provided we have a surplus in other commodities with other parts of the world."

The 11 MPs, in the unanimous report, pour scorn on the Government's confidence that, as North Sea oil-related earnings begin to decline, so the traditional elements of Britain's former surpluses in manufacturing trade would take up the slack.

"We are convinced that insufficient attention has been given by the Government to ensuring the recovery of manufacturing industry in any form on a scale necessary to replace the revenue generated by North Sea oil," the committee says.

It also criticises the "muddled complexity" of the Government's schemes to promote investment in UK manufacturing. It urges the Government to overhaul these schemes (there are around 108) with a view to making them more accessible to smaller companies. The MPs also recommend:

● That the Government brings pressure to bear on the EEC and the European Commission to ensure that the terms of the Treaty of Rome on non-tariff barriers are adhered to.

● That action by the Commission against subsidies in breach of the Treaty of Rome terms should be greatly intensified.

● That the British Government gives the same priority to using public purchasing as other EEC members do to assist their own industries.

● That the Government ensures that the EEC takes action to secure reductions in "unacceptably high" Spanish tariffs. EEC-built cars are subject to an import duty of 36.7 per cent, while cars made in Spain are subject to only 4.2 per cent in the Community.

Mr Kenneth Warren, MP, the committee's chairman, said the recommendations had been deliberately aimed at the Government, rather than management in industry. "The Government can do something to make things better," he said.

It seems, however, that the committee found itself unable to recommend solutions to what it identifies as the core weakness in British industry – a lack of competitiveness.

It points out that while unit labour costs in the UK are broadly comparable to competitors in Europe, levels of productivity are lower.

The Confederation of British Industry told the committee that UK price competitiveness was some 28 per cent less than 1975, a situation that Ford (UK) argued was due largely to the strength of sterling against European currencies.

Ford, in a memorandum to the committee, insisted that further cuts in inflation "do not offer any real prospect of achieving the magnitude of improvement that is needed."

"With (West) German inflation around 3 per cent," Ford argued, "Britain would need 10 years of zero inflation to claw back a 30 per cent gap in competitiveness."

Ford stated that a reduction in sterling was the only real option available to redress the competitive balance. In this context, the dollar – sterling rate was hardly relevant.

Job leavers to get better pensions deal

BY OUR FINANCIAL AND POLITICAL STAFF

A BETTER deal for members of occupational pension schemes who change their jobs before retirement – the so-called early leavers, was announced yesterday.

Mr Norman Fowler, Social Services Secretary, said legislation to provide the protection would be introduced in the autumn. Under the new law, the occupational schemes will have to revalue deferred benefits for future early leavers at 5 per cent a year.

This will be compound, or in line with the rise in prices, whichever is less, over the whole period from leaving to pension age.

Mr Michael Meacher, Labour Opposition spokesman on social services said the move was a step towards ending discrimination against people who changed their jobs but the 5 per cent formula failed to protect the pension rights of early leavers.

Earnings had risen by more than 5 per cent a year for each of the last 15 years and only full indexation would properly protect rights, he said.

Millions of people had been cheated of their rights by the slowness of the Government's response to the Occupational Pensions Board's report on early leavers three years ago.

Mr Fowler said related plans to introduce personal portable pensions would probably not be ready by the time of the proposed legislation.

The changes for early leavers were likely to add between 1 and 2 per cent to total pension costs, according to the Government Actuary's estimates.

He said funds could finance this by increasing contributions by reducing the fraction of final salary paid out in benefits, by integrating separate funds and by taking advantage of recent good returns on investments.

However, a number of MPs, particularly on the Tory side, were sceptical that the costs would be as small as 2 per cent. Mr Fowler defended the figure as the best available, while admitting "some uncertainty in forward projections."

He said the improvements could not be made retrospective since funds had not planned on this basis. There was no possibility of creating rights for people with 10 or 20 years of previous service.

Consumer spending falls from peak level

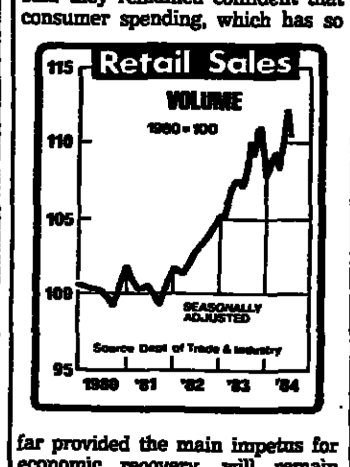
By Philip Stephens

THE VOLUME of retail sales in Britain fell sharply last month from the record levels recorded in April, suggesting some slowing in the pace of consumer spending.

The Department of Trade and Industry said that its retail sales index fell 1.7 per cent in May to a provisional 110.3 (1980 = 100).

The drop followed a strong surge in retail spending during April, when sales recovered after a relatively sluggish start to the year.

Government officials, however, said they remained confident that consumer spending, which has so far provided the main impetus for economic recovery, will remain buoyant throughout the year.



The officials said that, despite the fall last month, retail sales were still running at 3 per cent above levels in the same period last year. Business over the last three months was 0.5 per cent higher than in the previous quarter.

The Treasury is predicting that consumer spending over the whole year will rise by 3 per cent. The pattern over the last few months, however, has led many outside economists to predict a more moderate pace, with the consensus of City of London forecasters putting the increase this year at 2½ per cent.

● Inflationary pressures in the economy eased last month after a slower growth in the factory gate prices charged by manufacturing industry.

The Department of Trade and Industry said that manufacturers' average selling prices rose by only 0.4 per cent in May, a substantial improvement on the 1.1 per cent increase reported the previous month.

The annual rate of increase in the department's producer price index fell to 6.4 per cent in May from 6.6 per cent in April.

Loss by British Shipbuilders may top £150m

BY ANDREW FISHER, SHIPPING CORRESPONDENT

BRITISH SHIPBUILDERS' (BS) losses for the financial year to March 31 are likely to total at least £150m, some £30m more than was estimated.

The state-owned group has suffered from the poor state of the world shipbuilding market, heavy losses on offshore rig construction at the Scott Lithgow yard in Scotland, and its own lagging productivity record compared with other European yards.

The trading loss for the previous financial year to March 31 1983 was £117m, much of it stemming from the difficulties at Scott Lithgow, which was recently bought by Trafalgar House.

Mr Graham Day, chairman of BS, said in Greece last week the corporation's losses would be much smaller in 1984-85 after the record figure for last year. The actual loss will be announced later this summer.

BS's initial estimate of the 1983-84 loss was around £120m. Mr Day recently submitted a corporate plan to the Government, outlining how BS intended to make its merchant shipbuilding capacity more viable.

Trade union leaders, due to meet BS in London next week for wage talks, expect also to be told of the serious situation at the two engine-building plants, which are now practically without work.

John G. Kincaid on the Clyde and Clark Hawthorn on the Tyne, in north east England together employ just over 1,400 people and are now only building three engines. Harland and Wolff, the Belfast yard, has recently been successful in winning new engine orders. Although state-owned and subsidised it is not part of BS.

On the merchant shipbuilding side – the warship yards are set for privatisation – the BS order book was down to £472m at the end of March, from £551m the previous year and £680m at the end of March 1982.

But Govan on the Clyde expects to win an order for a 66,000-tonne bulk carrier from the C. H. Tung group of Hong Kong, which could be worth more than £20m. Work is also being sought for Austin and Pickersgill on the Wear, also in north east England.

Three small merchant yards in Scotland and England were recently closed.

Maggie Urry reports on an automotive components company's fight to regain its profits

Armstrong takes on the German competition

"SUDDENLY, on April 17, 1980, the bottom dropped out of our market. Turnover collapsed overnight," recalls Mr Harry Hooper, chairman of Armstrong Equipment, the automotive components and industrial fasteners company based in Humberside, north England.

The recession caught Armstrong somewhat out on a limb. It had been expanding fast, successfully buying less profitable companies and turning them round. But the past four years changed all that. Only in the last year has Armstrong clawed its way back into profits – and ideas for new expansion will have to wait a while.

In the 1970s Armstrong seemed to have the golden touch. Mr Hooper, who had joined the group as managing director in 1966, became chairman in 1973. Profits rose from £1m in 1970 to £8.75m in the year to June 1979. Each year saw a number of acquisitions in the fields of automotive components, fastenings (nuts and bolts) and light engineering.

The Armstrong speciality was to buy companies, usually below asset value, and rapidly improve the level of efficiency. In the 1979 accounts, Mr Hooper was writing of the four takeovers completed that year and looking forward to making more the coming year.

Although the car industry was all too often suffering from major strikes, it looked as though Armstrong could go on growing.

When the crunch came, however, Armstrong could not escape. With perhaps 60 per cent of its business with the multinational car makers, Armstrong's customers could pick and choose who to buy from across the range of European suppliers. The worst blow to Armstrong was the strength of sterling against the D-Mark.

"Our major customers could shop around Europe. They knew the prices in competing countries. We had to pull prices down quite dramatically. Within months we reduced our pricing on engineering components by 15 per cent. With volume down too, there was no way our margins could take that. Some of our companies plunged into loss immediately," explains Mr Hooper.

Armstrong's story since is essentially one of regaining the competitive edge against West German makers, something that Mr Hooper believes Armstrong has now achieved.

Mr Hooper's first move was to cut capacity and workforce fast. Six plants were closed and the remaining volume of business was concentrated on the others. The UK labour force was cut by 40 per cent, but months later further cuts had to be made.

"None of us had any clear visibility of how far this would go," Mr Hooper says. False dawns kept raising hopes, only to be dashed again, meaning more cuts. "Most people had to do it three times – each time at a high cost."

With Armstrong's finances already extended in 1979 – following the acquisitions – the costs of redundancies, closures and restructuring bore heavily on the balance sheet and interest charges were high. Over the four years 1979-80 to 1982-83 Armstrong has made extraordinary write-offs of £15.5m and shareholders' funds have dropped from £48.5m to £35.9m.

Armstrong was able to release cash eventually, by running down stocks. At the end of June 1980 stocks stood at £43.7m. A year later they were down to £36.5m and by June 1983 they had fallen to £31.5m. If anything, Mr Hooper would like to see stocks still lower.

In the last year the balance sheet has been revived, thanks to a couple of deals. Armstrong sold its loss-making Australian automotive company to its rival, owned by Mitsubishi, as the Australian market had turned sour. Similarly, the South African company has been sold to Toyota – one of its major customers. The two sales have brought in about £8m compared with net debts at June 1983 of £24m.

Trading has picked up too. "Over the last 12 months engineering products generally have seen a 5 to 8 per cent increase in turnover. On the automotive side, volume is up by around 17 to 18 per cent," Mr Hooper says.

As yet, Armstrong is not increasing its prices by much. West German competition is still the problem. With the pound now worth around 3.8 DM, sterling has not fallen as far as Armstrong would like.

Armstrong's products are, however, now a few percentage points cheaper than the equivalent made in West Germany. "Labour productivity is good now; we take the yardstick from Germany and we are now more than competitive. We are less overmanned than Germany," says Mr Hooper.

That does not mean the drive to improve productivity further will stop. Though the big cuts have been made, "there is always some mopping up to do," he adds.

Labour relations have been put on a more formal footing. Although informal discussions had taken place before with the shopfloor, in February 1983 a structure of meetings was set up. These have settled down into bi-weekly events when management explains what is going on, what orders have been won and suggestions are asked for.

Now that Armstrong is profitable again – at the halfway stage of the current year pre-tax profits were £1.06m and analysts are expecting an acceleration in the second half – Mr Hooper can look back and assess what he has learned from the experience.

"Before, we thought if we were efficient and were marketing well the rest would take care of itself. We learned we've got to have much greater management information."

He has instituted weekly profit and loss accounts and a host of management ratios. Gross margins, the ratio of fixed overheads to sales, the payroll to product value, factory overheads to product value, stock turn and so on are all examined closely.

ARMSTRONG'S KEY FIGURES

	Year ended June 1983	1979
Sales	£110.1m	£94.4m
Profits	–£1.1m	£8.75m
Capital employed	£45.4m	£51.4m
Shareholders' funds	£35.9m	£48.5m
UK employees	4,200	5,000

Looking ahead, Mr Hooper cannot see any problems in coping with the higher level of demand. Some heavy tax losses should mean that Armstrong can rebuild its shareholders funds in a couple of years. It will probably take that long before profits are back up to the levels of the late 1970s.

Until then, Mr Hooper does not plan any big moves into new areas. He has a couple of embryo projects – one on the motorcycles side, the other a computer company – which could grow rapidly.

And, of course, there are often opportunities to pick up companies in a similar business which have not come through the recession intact.

Tomorrow: DRG

The articles in this series will be published as a booklet available from the Publicity Department of the Financial Times.

Colt reshapes cars operation in Britain

BY JOHN GRIFFITHS

STOPPING the import of Lonsdale cars from Australia as a separate franchise and ending UK assembly of Japanese Mitsubishi light commercial vehicles are two of the sweeping policy changes by the new management of Colt Car Company.

They follow the abrupt departure in April of Mr Michael Orr, Colt's former chairman.

The changes have been put in train by the company's new managing director, Mr Peter Beaumont, who was dismissed as general manager by Mr Orr last August.

They include a name change to Mitsubishi Colt for all vehicles imported by the company, which is 49 per cent-owned by the Japanese manufacturer.

A more stable pricing policy and the creation of seven regional dealer associations are also part of measures "to get back the confidence of our dealers," according to Mr Beaumont.

He hopes that the changes will increase sales by about 10 per cent to 12,000 units this year.

The Lonsdale Car Company was set up by Mr Orr in 1982 to import cars from Mitsubishi's Australian plants. It was seen as a way of circumventing limits on direct Japanese imports.

It was intended to sell 3,600 Lonsdales last year but only 504 found buyers.

Colt took over Lonsdale, which had mainly Colt dealers, in May. It will continue to import the cars, but the Lonsdale name will disappear in the next two months.

The commercial vehicle assembly operation, Mitsubishi Commercial Vehicles, was created towards the end of last year. The plant, at Plymouth, had been building towards a production rate of 60 vehicles a month. It has now been closed as uneconomic.

Dissent was rife in the 170-strong dealer network last year.

Enterprise Oil to buy stake in North Sea

BY DOMINIC LAWSON

ENTERPRISE OIL, which is to be floated on the London Stock Exchange by the Government later this month, is to acquire a stake in some of the most hazardous offshore oil licences in UK waters.

The former North Sea oil arm of British Gas is to take a 10 per cent stake in two blocks north-west of the Shetlands. The interest is being sold by RTZ, the international natural resources company, which will retain a 20 per cent stake in the two areas. Esso holds the remaining 70 per cent interests.

Esso is drilling an exploration well on one of the blocks. In 660m of water, it is the second deepest well yet drilled in UK waters and will cost about £15m.

No details of the cost of the deal with RTZ are available, but it is likely to involve Enterprise carrying some of RTZ's remaining costs in the exploration programme.

Enterprise Oil has already joined forces with Esso in a consortium that will bid for blocks in the forthcoming ninth licensing round.

Government's inflation target 'over-optimistic'

BY PHILIP STEPHENS

BRITAIN'S RECOVERY is set to continue throughout 1984, with consumer spending, capital investment and stockbuilding all contributing to economic growth, Midland Bank says in its latest forecast.

Inflation, however, will probably edge up to 6 per cent by the end of the year and imports are likely to grow faster than exports, cutting the current account surplus of the balance of payments.

The bank says that it expects the output measure of gross domestic product to grow by 2½ per cent in 1984. This figure includes some allowance for the impact of the miners' strike, although an all-out strike over a long period could significantly reduce output.

Private investment other than housing and excluding North Sea oil is forecast to grow by 6 per cent in 1984, and total investment, including the public sector, to rise by 3 per cent.

Consumption will increase by less than the 4 per cent rise recorded in 1983, but there should be some modest stockbuilding

The Government's forecast of 4½ per cent inflation by the end of the year, however, is likely to prove over-optimistic, with buoyant average earnings and a tendency for companies to increase their margins pointing to higher price rises.

UK NEWS

Racal to market Inmos chip design system

BY ALAN CANE

ADVANCED computer-aided design equipment built by Inmos, the state-backed microelectronics company, for the design of highly sophisticated silicon chips is to be sold worldwide by Racal, the major British electronics group.

Later this week Racal's computer-aided design subsidiary Racal-Redac is to announce that it will be marketing Inmos workstations and computer stations under licence.

For Inmos the deal means an initial payment believed to be around £1.5m, together with royalties on each system sold.

Racal is expected to give further details at a major conference, the Design Automation Conference in Albuquerque, New Mexico, later this month.

The deal is a major triumph for Inmos and its technology. Racal-Redac is one of the world leaders in computer-aided design technology (CAD), and one of the few UK companies able to challenge the large U.S.-based firms like Computervision, Applicon and Calma.

The Inmos CAD system, nicknamed "Fat Freddy", is for the design for very sophisticated microprocessors and memories. The microelectronics industry is united in believing that the only way to stay competitive in microchip design is to use the most advanced CAD system available.

Inmos is already using some 30 of the systems itself in its design headquarters at Bristol, West England. The system has been used to help design Inmos's commercially successful memory chips and its revolutionary "transputer" high-speed microprocessor.

Inmos claims that its system makes possible very efficient use of the silicon substrate in its chips. This is very important in the high-pressure world of microelectronics where the more components the designer can cram into a given area, the less chance of failure through random faults in the chip surface.

The future of Inmos remained in doubt yesterday as the Government considered competing proposals from American Telephone and Telegraph of the U.S. and ICL, the British computer group. The Government wants to reduce its 75 per cent holding.

Air charters may face tougher entry rules

BY ARTHUR SANDLES

TENS OF thousands of British holidaymakers who are buying cheap seats on charter fligths to the Mediterranean basin this summer risk being refused entry, or of being told to buy a full-fare scheduled ticket for their return trip – at perhaps £150 or more a time.

So publicly and extensively are British tour operators flouting the regulations and selling their charter seats without hotel bookings that foreign governments are threatening to step in. "We have reason to believe that the Spaniards might do spot checks," the UK Civil Aviation Authority (CAA) says.

As many as 500,000 cheap seat-only flights to Spain, Greece, Italy, Portugal and Germany are at present on sale. A further 250,000 seats may appear on the market as part of discounted holidays, which are perfectly legal.

In theory every charter seat should have accomodation tied to it – either a hotel or self-catering. Most operators avoid the problem by having a £1 voucher system which technically means that the traveller is renting any accomodation used from the operator.

It now seems that some countries will demand to see real evidence of a full holiday being booked. In the absence of documentation the local authority is fully within its rights to turn a traveller away and show them the scheduled airline desk.

The CAA has advised tour operations not to be over-zealous in their sales. It says there are no agreements with foreign states.

"Some of these states are becoming increasingly concerned at what they regard as infringement of their regulations as evidenced by the volume of advertising in the UK which appears to offer seat or flight-only facilities."

The CAA suggests that there might be "stringent enforcement checks on both arriving and departing passengers." Foreign pressure on Britain is building up because national airlines see their networks under threat and complain to their governments.

Greece's Olympic and Spain's Iberia are upset by villa owners not using scheduled services and irritated by the extensive use of charter seats by their expatriate population, waiters for example, returning home for holidays.

So widespread is the seat-only practice that one major travel retailer, Hogg Robinson, has now put the cheap fare offers on to a computer so that customers get the best price for the route on the day.

Mr Paul Foster, Hogg Robinson's director of consumer products, said: "Tour operators and airlines who have over-estimated this year's holiday market by 5 to 8 per cent now have in the region of 750,000 flight seats left.

"These will be sold as cheaper holidays or as flight-only deals."

Brewery to close

BY LISA WOOD

WHITBREAD, Britain's third largest brewer, yesterday announced the closure of its large brewery at Luton, Bedfordshire, and the dismissal of more than 300 workers.

The closure, said by Whitbread to be "irrevocably permanent" comes after six weeks of industrial action by members of the Transport & General Worker's Union.

The dispute, it appears, tipped the balance at a time when Whitbread, facing a static UK beer market, was seeking ways of rationalising production.

Whitbread said yesterday that the company had been looking at the performance of the Oakley Road brewery in Luton for the past year as part of an exercise on whether to close a major brewery or a number of smaller ones.

Mr Brian de la Salle, Whitbread's production manager, said it had been decided at a board meeting that a major plant should be closed.

It was, he said, an argument of cost of operation and cost within the industry. The Luton Brewery war 20 years old and needed considerable investment amounting to £1m a year for several years.

That huge investment, said Mr de la Salle, had to be weighed against what he described as the "unstable workforce that is currently there."

Memoirs of a Government art buyer

William Packer reflects on his seven years as an adviser in purchasing art for the Government

I must declare my interest straight away, for I have just *completed a term* (that with extensions has amounted to some seven years) as a member of the Government's advisory committee on the Purchase of Works of Art, of which experience, and indeed education of sorts, I shall always retain the happiest memories. For it was fun, despite the difficulties and frustrations that bear down from time to time upon any committee's work, and for the most part seriously agreeable work with a small group of eminent and distinguished colleagues. I count myself lucky to have been asked to help at all, let alone to continue so long.

Whether it stood high or low we were never told, but we were left in no doubt that our little committee stood somewhere on the register of that threatened but resilient genus, the quango, and in such times as these have been of compulsory financial retrenchment, we could never be entirely sure of our position. But really we should have had little enough to fear for, to my certain knowledge, the highest budget we ever had the supervision of was modest to the point of insufficiency *in any other field* but the fine arts. The work was useful and remains so, responsibly conducted and bent entirely to the public good.

The only real question to *answer is* whether or not the Government should have an Art Collection at all — that is to say a collection entirely at its immediate disposal—as opposed to whatever may be begged or *borrowed upon particular* occasion from the trustees of the major public collections.

It is a question, of course, which every day is answered tacitly by the Government *itself, by the enormous* and unrelenting pressure its Administration places upon the collection, even as it now is, to furnish its embassies and consulates abroad, its offices, ministries and public buildings at home.

It was always born in on us, valuable though so many of the things it contains so conspicuously are, that this is, before all else, a functional collection, serving working buildings and public places rather than the more controlled spaces of museum and gallery.

We were to buy British art of all periods, ancient and modern, or work that was at least British by adoption or association, or perhaps tactfully appropriate to a particular locale. Given, of course, the nature of our Civil and Diplomatic Service clientele, it is not surprising that the older should prove always the more popular, the Victorian watercolour and the topographical print; nor that the more modern and abstract of our purchases should not go down too well on the embassy floor.

But even art of the older sort could sometimes offend ambassadorial taste, unclouded by latest news of the saleroom, and it is not unknown for undoubted masterpieces to have been found to clash with the curtains, or perhaps darken the mood of the drawing room just a little, and so to be consigned to the cupboard beneath the stairs.

But we live in conservative times, and if we could no longer add what we would wish to the collection, we felt we could at least make sure that greater care was taken of what we already held. The new ambassadorial broom had come to be taken up almost as a staff of office, and most jealously guarded at that, but the Curator of the Collection, Dr Wendy Baron, a distinguished art historian in her own right, was quite determined, and we were readily persuaded, that it should no longer be allowed.

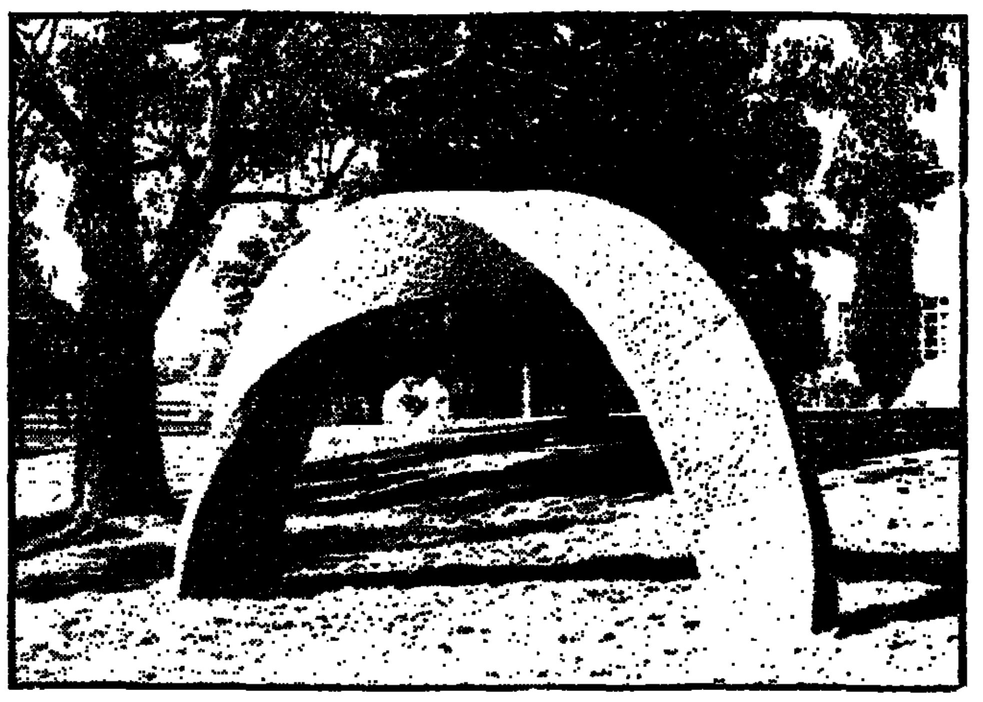
Embassies are not built as perfect art galleries, not always air-conditioned properly even where the climate is extreme, but even so, well should be left alone wherever possible, and *works of art certainly not* set at risk upon a whim. The clear policy now is to fix an appropriate display in the public rooms, that can be modified and enhanced, of course, as the collection itself *develops, with nothing moved* gratuitously, inexpertly and expensively — economy conspiring happily with common sense.

But it is necessary that the collection should indeed continue to develop, to buy especially the work of contemporary artists — for the future would hardly thank us for leaving such gaps as some of those we have had to face, that we can no longer afford to fill. All work was new once, even the difficult and controversial. But with so little money available for this purpose these *last few* years, we were rather forced to concentrate our resources. As there had been requests for sculpture from time to time, which for the obvious difficulties it presents *has never figured prominently* in the collection, we decided upon a policy of positive commissions for sculpture, which works would be installed more or less permanently in its particular embassy garden abroad.

The difficulties with money were bad enough, but could be overcome: those with incumbent prejudice and obstruction rather more intractable, the correspondence as lengthy as it was sometimes dispiriting, or at best sadly amusing. But the project went ahead: an Ian Hamilton Finlay sundial went to the residence in Bonn; and, after considerable frustration elsewhere, a piece by Phillip King was made emphatically welcome late last year by our ambassador in Pretoria. It has become clear that modern sculpture can only be put in where it is welcome, for all that it will necessarily stay put thereafter.

Late last month the first of our commissions for a work made expressly for a particular garden, indeed for an exact spot in that garden, was unveiled at the residence in Canberra by Lady Mason, wife of our High Commissioner to Australia. John Maine, whose work it is, visited the site late in 1982, before making any *decision as to what he would* propose to us. The maquette approved, he further proposed to carve his "Archstones" in Australia in local granite, which engaged him, and us, for a while *in a desperate comedy of* practical difficulties and disappointment, all happily and fruitfully resolved in generous co-operation with the firm of Monier Granite in their Black Hill Quarries *in* South Australia.

"In its setting just over the brow of a fairly steep hill in the garden . . . 'Archstones' can easily be seen from the *public road . . . It possesses* not only a local relationship to the implied arch between two eucalyptus trees beneath which it is set, but also makes a broader reference to the sun's *anticlockwise motion in the* southern hemisphere, which I found exciting in its unfamiliarity."



John Maine's sculpture for the High Commission in Canberra, Australia

Horszowski, Ligeti/Aldeburgh

Max Loppert

Mieczyslaw Horszowski, Polish-born but New York-domiciled since 1940, is a famous pianist and pedagogue long absent from the British musical scene—it must be the involvement of Murray Perahia (one of the most notable of Horszowski pupils) in Aldeburgh *that has conspired to* draw him across the Atlantic for the two most recent festivals. On Saturday, prior to a session of master classes, he gave a Maltings recital that was *an exposition of* several linked miracles.

For Horszowski remains active at nearly 92 — not just still *able* to play (though that would be phenomenon enough), but a master of serenity, wisdom and grace, of pianistic colour and tonal richness in boundless quantities; the special boon of his playing may sentimentally be perceived as the product of great age, but the experience doesn't stop there. Age may make more probable the preponderance of moderate tempos, of spacious phrase-shapings and pauses to survey *the scene and the air;* art justifies and transforms them. The whole style belongs to a vanished age, and in this concert Horszowski seemed its most treasurable surviving exponent.

He began, graciously, with an unpublished Prelude by Casals, then proceeded to Beethoven's Op 10 no 2—sketchy, summary, and not fully warmed-up at first, but gathering a wonderfully ripe glow in minuet and rondo (Horszowski's bass-register *fullness, and his broad* conception of pedal technique, are of a kind impossible to parallel in younger pianists). A Martinu miniature preceded the *Children's Corner* Suite, Debussy *playing in which* affection and freshness of perception elicited prodigies of colour subtlety. Horszowski drew an essence out of the Chopin B minor Sonata; in such a performance, the span of dynamics and mood variations seems infinitely the wider for being scrupulously placed within a relatively narrow range. A single encore, "Träumerei," summed up the *occasion (and the blessing which* the Maltings acoustics confer on the instrument).

The fine chamber-music recital the following evening by Robin Graham (horn), Saschko Gawriloff (violin), and Eckart Besch (piano) had as its highlight the British premiere of Ligeti's Trio (first given in *Hamburg in 1982 by the same* trio). People who think they have found the key to the composer's musical manners are in for surprise: this wonderful work, in four movements lasting about 20 minutes, throws lines back to traditions of chamber music previously impossible to associate with this most mercurial of modern composers (it is dedicated as a homage to Brahms, whose own horn trio began the concert). Each movement is essentially a set of duets dramatically counterpointed by the third instrument; a tone of Hungarian plangency achieves its fullest expression in a closing Lament, in which the characteristic tick-tocking of Ligeti figuration provides a base for large-scale lyrical impulses. Marvellous *addition to a parched repertory.*

Ivo Pogorelich/Festival Hall

Dominic Gill

A new, calmer, less insistently showy Pogorelich revealed itself in the first half of his piano *recital on Sunday afternoon.* His account of Bach's second English Suite reminded me of Glenn Gould at his most reticent: maybe without the same rhythmic verve, but of Gouldian lightness and clarity, exquisitely voiced, full of sudden, illuminating harmonic accents. The slow numbers were treated in the simplest lyrical style, unequivocally romantic but uncluttered, uneffusive.

There was nothing either in his performance of Mozart's A major sonata K331 to recall the extravagances of recent years. He gave the theme of the opening *andante grazioso* very slowly, almost *adagio misterioso*, and the subsequent variation with delicate detachment, *almost austerely. It was a* gentle, unassuming interpretation, notably without indulgence—only such a liberal use of the soft pedal in the *alla turca* seemed, after a while, un*necessary and* bordering *on* affectation.

In Chopins B minor sonata the manner became suddenly more whimsical. Some of the eccentricities (plentiful reverse *dynamics in the first movement,* for example) were illuminating and rather beautiful; others — notably a habit of pre-empting sudden changes of dynamic—seemed only wilful weakening of special and important effects. There was generally a glut of soft pedal (I wish Pogorelich had examined more carefully *Chopin's eloquent and highly* individual pedal markings in general) — and a tendency to reduce important structural passages to triple-pianissimo prettification, with a correspond*ing reduction in harmonic* coherence.

The fast *leggiero* quavers of the scherzo were splendidly lithe; in both the largo and the finale there were many sensi*tive observations, bold and* striking moments. But too often mannerism intervened. There is no point in playing any bar of Chopin as a pedal-wash at the margins of audibility for pretty effect.

Bow Down/Battersea Arts Centre

Andrew Clements

Big Bird is a music-theatre company base in Bradford. It was founded two years ago, and had a major success in the north of England with a staging of Harrison Birtwistle and Tony Harrison's *Bow Down*. On Sunday the production was brought to London for the first time, in a single performance at Battersea Arts Centre: it is a gripping, powerful piece of theatre which deserves an extended run here as soon as possible.

Bow Down was devised and first produced at the National Theatre in 1977, as part of a triple bill in the Cottesloe Theatre that also included works by Satie and *Kagel*. It was the first collaboration between Birtwistle and Harrison, who have worked together subsequently on the National Theatre's *Oresteia* and on a music-theatre piece commissioned by BBC Television and yet to be performed, *Yan, Tan, Tethera*. Elements of more recent Birtwistle are present in fierce, direct form in *Bow Down:*

The mingling of alternative versions of the same mythic ballad, in this case "The Two Sisters," the use of a hierarchy of pulses to articulate the verse speaking, and the spare, supremely effective use of instrumental lines, gesture that are instantly identifiable.

There is a great deal more theatre than music in the score in the generally accepted senses of the words, but *Bow Down* remains quintessentially a music-theatre work, in which the elements are inextricably bound. Birtwistle first explored traditional ballads in *Down by the Greenwood Side* (1969), and the pungent, cruel world they inhabit is caught superbly well in *Bow Down:* the moments of surreal black humour, the terror, the uncompromising morality. Those who tired of the remorseless rhyming couplets of Harrison's *Oresteia* translation will find them here, too, but varied and graded; the text is a finely geared mechanism of pulse and metre, with perfectly judged, unarguably *musical* climaxes.

By no means all of this was obvious, I confess, seven years ago. Hindsight helps a good deal, but so much more does Big Bird's impassioned presentation, which stays remarkably faithful to Harrison's own stage directions. Where the National Theatre actors sometimes seemed austerely uninvolved, *these players, singers and* instrumentalists, unfold the drama with unambiguous directness, mark its virtuoso declamations, wring out its pathos. It is a splendid achievement, worth *any* number of *more* contrived pantomimes that shelter under the umbrella of music theatre for want of a better one.

Highlights of the Proms

British music is the major theme of this year's Proms, which open at the Royal Albert Hall on July 20. Over a quarter of the season is given over to works by 31 British composers, of whom 15 are living.

An early *highlight is the* British premiere of Sir Michael Tippett's *The Mask of Time* on July 23 (to be filmed by the BBC). Among the 50 and more British works to be heard will be revivals of music by Maw, Birtwistle, Tavener and Musgrave, as well as BBC commissions from Brian Elias, William Mathias, Colin Matthews and Robert Saxton.

Early music is another theme, with seven British ensembles presenting their specialities. The London Classical Players perform on August 9 a Beethoven symphony on instru*ments of the composer's day,* and John Eliot Gardiner's edition of the Monteverdi *Vespers* will be given in Westminster Abbey on July 29.

Among the musicians appear*ing are the Vienna* Philharmonic and Boston Symphony Orchestras; conductors Abbado and Boulez; and soloists Janet Baker, Alfred Brendel, Jessye Norman and Murray Perahia. There will be a semi-staged version of Glyndebourne's *Marriage of Figaro*, and Yullyo Akhow of Korea will present a programme of music and costume dance.

The Proms prospectus is available from BBC Publications, P.O. Box 234, London, SE1.

Film Books/Nigel Andrews

Keaton heads the cinema rush

The Look of Buster Keaton by Robert Benayoun. Pavilion, £15, 198 pages
Burt Lancaster by Minty Clinch. Arthur Barker, £8.95, 177 pages
Burt Lancaster by Robert Windeler. W. H. Allen, £9.95 186 pages
Mae West: The Lies, The Legends, The Trust by George Eells and Stanley Musgrove Robson Books, £9.95, 316 pages
My Hollywood by Sheilah Graham. Michael Joseph, £10.95, 242 pages
Richard Attenborough by David Castel. Bodley Head, £12.50, 117 pages
David Niven's Hollywood by Tom Hutchinson. Macmillan, £10.95, 187 pages

Best buy by far, in the current deluge of film books, is Robert Benayoun's *The Look of Buster Keaton*. This 12-by-10-inch coffee-table tester combines the visual delights of a photo-album with a text that is guaranteed to set your brain-cells buzzing, provided it doesn't short-circuit them first by overloading.

Once past the introductory Gallic extravagances, though, including a tendency to drop large numbers of names (from Einstein to Modigliani to Caspar David Friedrich), Benayoun combines, in the best French tradition, runaway enthusiasm with well-argued, imaginative analysis. This isn't *a linear account of Keaton's* life — that task is already fulfilled by Tom Dardis's biography — but more a stream of critical consciousness. In different chapters Benayoun *discusses* Keaton as Dadaist, Keaton as cousin to Kafka, Keaton as complement to Chaplin, and even Keaton as sex symbol. En route there are fresh insights, useful nuggets of information (such as that Keaton was the first American comedy director not to use speeded-up action for slapstick sequences) and one of the best single-sentence summings-up of the comedian I have read:

"The key to all of Keaton is his double life—the dreamer, subjective and expansive, versus the Lincolnesque mid-westerner who seemed to *have stepped out of an* American Gothic picture, the plain dealer, the slow (but careful) thinker."

Two simultaneous biographies of another Hollywood plain dealer, Burt Lancaster, prove rather too much of a good thing. Especially since the longserving he-man and owner of the world's most famous set of teeth seems to have kept both authors — Britain's Minty Clinch and America's Robert Windeler — firmly at grin's length and short of personal copy. Hence the extensive use of identical quotations in both books, which are presumably *culled from the common bank* of Press cuttings ancient and modern.

Clinch's biography wins by a nose. She's more enthused with her subject and writes with more felicitous turns of phrase. However, would she please mind her spelling in future? The inaccurate orthography of names has to be read to be believed — Wendy Hillier, Paul Schofield, *Silvana* Magnano, Dominque Sanda etc etc — and work must be done on this before the second edition.

Mae West, like Burt Lancaster, also copyrighted a toothy smile, but there the resemblance ends. Where Lancaster's style is diatonic — whether dispensing action-man swashbuckle or (in *The Leopard*) burnished dignity — West's was *chromatic, a slither of outré* semitones and insinuating dissonance.

She is admirably served by George Eells and Stanley Musgrove—"both close friends of Mae's" the dust jacket assures us (although I'd rather have heard it from Mae)—who pickle her for posterity in the only way she could be, with the vinegar-and-spice of anecdotage and gossip. Brightest *stories* are those in which Miss West doughtily defies the obscenity charges brought against her and sets out to make the Hays Code a deserved laughing-stock. Most hair-raising story is British director Ken Hughes's recollection of the 60-odd takes it took to film one scene of *Sextette* (her last movie, made at age 85): Hughes had to stay immured for six hours in a *soundproof glass booth, from* which he would broadcast each line of dialogue to the faulty-memoried Mae.

Sheilah Graham's *My Hollywood* is gossip of a far lower order and anecdotage in which the last two syllables are operative. Back in the cinema's "vintage years" this famous columnist played Dewey to the Huey and Louie of Hedda Hopper and *Louella Parsons.* She was the writer who would not only hobnob with the famous but also milk a meretriciously dewy eye when she could, as in her distressing *(in every sense) account of life* with Scott Fitzgerald, *Beloved Infidel.*

Whenever Miss Graham says in this book that she refused to stoop to a scoop, it generally *means she got beaten to it* by Miss Parsons or "Hedda the Hat." Her grounds for disliking a celebrity are usually strictly personal. She never forgave Marlon Brando for a telephone *call that interrupted her tête-à-tête* with a millionaire she was manoeuvring towards marriage. And her grounds for admiring a celebrity or his work are so platitudinously expressed one wonders how she held on to a *writer's job so long. On Citizen Kane:* "In cinematic terms it is unusually effective in style. It's unusual in its camera treatment, in its story continuity, its story telling. It was all just so *right in that film.*"

Two pictorial biographies by British critics round off the current avalanche of movie books. David Castell's *Richard Attenborough* has an array of excellent photographs, but the writing is alarmingly uninflected in its approbation of Sir R. If there is a single note of adverse criticism in the book, either by Castell or the cohorts of critics whose past quotes have been culled, I missed it. (Didn't *anyone* dislike *A Bridge Too Far* or *Magic?)* That Attenborough is a man of special and cherishable talent in the British cinema none would deny. But is he really well served by this pretence of critical unanimity?

In *David Niven's Hollywood* there are at least a few films that author Tom Hutchinson admits are "eminently forgettable," *or that Niven himself* dubs "stinkers." Which gives all the more credence and glory to the successes: *A Matter of Life and Death* or *The Elusive Pimpernel* or his Oscar winner, *Separate Tables.* Hutchinson's plain but pithy prose does rich justice to Hollywood's "perfect Englishman."

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

June 8–14

Opera and Ballet

VIENNA

A week celebrating the work of Austrian composer Alban Berg includes a revival of Wozzeck conducted by Caspar Richter with Armstrong, Jahn and Berry at the Staatsoper on Monday and Thursday (53 24/2655) and a Berg ballet evening with a lyrical suite, choreographed by Jochen Ulrich; Three Orchestral Pieces, choreographed by Forsythe; and Violin Concerto Lullaby choreographed by Jiri Kylian, conducted by Lorin Maazel with the Vienna String Quartet and State Opera Ballet on Tuesday and Wednesday.

Volksoper: Franz Beuer-Theussl conducts Strauss' Wienerblut on Tuesday (53 24/2657).

WEST GERMANY

Berlin, Deutsche Oper: Der Troubadour is a Herbert von Karajan production. La Traviata stars Piero Cappucilli and Lucia Aliberti. Der Barbier von Sevilla features Catherine Gayer and Donald Grobe. To commemorate Wagner's 100th anniversary Der fliegende Holländer is offered with Hermann Winkler and Janis Martin in the leading parts. (34 381).

Hamburg, Staatsoper: Zar und Zimmermann is a well-done repertoire performance. Ariadne auf Naxos is perfectly cast with Janis Martin, Daphne Evangelatos and Franz Ferdinand Nentwig. Der Freischütz is steered to triumph by Lisbeth Balslev in the part of Agathe. Der Rosenkavalier brings together Judith Beckmann and Hans Sotin. La Bohème, sung in Italian, has fine interpretations by Beatrice Haldas and Denes Gulyas. (35 1151).

Cologne Opera: a new production of Rossini's rarely played La Gazza Ladra produced by Michael Hampe and conducted by Bruno Bartoletti has Elena Cotrubas as Ninetta. Der Freischütz has Siegfried Jerusalem excelling as Max. Andrea Chenier is conducted by Nello Santi. (20 761).

Frankfurt, Opera: The week starts with Strauss' rarely played Capriccio with Helena Döse as the Countess. The Magic Flute is a Ruth Berghaus production. Ein Maskenball has Mara Zampieri as Amelia and Luis Lima as Oscar. Harry Kupfer's production of Lulu with a complete third act has Nancy Shade making her debut in the title role. (25 621).

Munich, Bayerische Staatsoper: Pfitzner's rarely played Palestrina is a revival. Cosi fan tutte is of respectable standard with Peter Schreier and Pamela Coburn. This week's highlight is Don Carlos with Yevgeny Nesterenko and Livia Budai in the main parts. (21 851)

ITALY

Rome: Teatro dell'Opera: Debussy's Pelleas et Melisande (La Scala production) conducted by Jean-Marie Auberson with Christopher Cameron, Anne Marie Rodde and Ortrun Wenkel. (46.17.55).

Milan: Teatro all Scala: Mozart's Lucio Silla conducted by Sylvain Cambreling and directed by Patrice Chereau (a co-production with the Théâtre Nanterre 'Amandiers' and the Théâtre Royal de la Monnaie in Brussels. Every evening except Mon (80.91.26).

Milan: Palazzo dello sport: Dionysos danced by the Ballet du Siecle choreography by Maurice Béjart, and costumes by Gianni Versace.

Turin: Teatro Regio: Cosi fan tutte conducted by Zdenek Macal. Directed and with scenery and costumes by Sylvano Bussotti. (54.80.00).

PARIS

Merce Cunningham dance company succeeds, in spite of its revolutionary refusal of a story or a connection between music and movement, in fascinating its aficionados by the sheer perfection of its superb dancers. Théâtre de la Ville (274 2277).

Iphigenie en Tauride alternates with Soirée Stravinsky conducted by Hugo Fiorato/Claude Schnitzler, choreography by George Balanchine, Paul Taylor, Kenneth MacMillan and Niels Christe at the Opéra de Paris (742 5750).

Manon, first produced at the Opera-Comique 100 years ago, returns in a new production conducted by Reynald Giovaninetti/Claude Schnitzler with Catherine Malfitano/Michele Lagrange in the title role and Eva Saurova as Javotte. Salle Favart - Opera Comique (296 0611).

Stars and Ballet Corps of the Paris Opera dance The Midsummer Night's dream ballet of John Neumeier after Shakespeare with Florence Clerc, Monique Loudieres, Claude de Vulpian, Noella Pontois alternating as Hippolyta/Titania and Jean-Yves Lormeau, Charles Jude, Bernard Boucher as Thesee/Overon at the Palais des Sports (828 4048.

LONDON

Royal Opera, Covent Garden: Tosca, revived in the now sadly dowdy Zeffirelli production, serves to introduce the Italian soprano Mara Zampieri and the Mexican baritone Guillermo Sarabia to *London.* Giacomo Aragall is Cavaradossi, and Robin Stapleton conducts. Further performances of the glossy new Aida, conducted by Zubin Mehta, with a cast led by Katia Ricciarelli and Luciano Pavarotti. (240 1066).

Sadler's Wells Theatre: the Gilbert and Sullivan festival put together by New Sadler's Wells Opera continues with performances of the new HMS Pinafore alongside the Gondoliers and Mikado productions of recent NSWO seasons. (278 8916).

Chelsea Opera Group Chorus and Orchestra conducted by Antony Shelley in a concert performance of Verdi's Macbeth sung in Italian. Barbican Hall (Tue). (638 8891).

NEW YORK

American Ballet Theatre (Metropolitan Opera House): Ends June 16.

New York City Ballet (New York State Theater): 37 repertory works, including 24 by George Balanchine and 10 by Jerome Robbins, comprise the spring season featuring this week Stravinsky's Violin Concerto and I'm Old Fashioned. Ends June 24. Lincoln Center. (870 5570).

Luces de Bohemia/Barcelona

Ossia Trilling

Anyone who saw the Nuria Espert company of Barcelona in the late Victor Garcia's provocative production of Ramón de Valle-Inclán's *Divinas Talabras (Divine Words),* either at the National Theatre in London or at numerous foreign festivals where it was pronounced an unforgettable theatrical experience, is hardly likely to quarrel with that finding.

The same may be said of the latest Spanish production of a work by Valle-Inclán, revived this time not in Barcelona – where I caught it on tour – but first in Paris, at the Théâtre de l'Europe, in a sensational production by the Catalan director Lluis Pasqual. This was his so-called "esperpento" *Luces de Bohmeia (Lights of Bohemia).*

This ambiguous term is difficult to translate. It ranges over a variety of meanings from "absurd" to "distortion." A good compromise would be "shocker." That is what its author, a member of the 1898 literary movement which reacted to the disastrous Spanish-American war by taking a close look at the cant on both sides, had tried to write. Spain, he said, was a "distortion," and *Lights of Bohemia* a "distortion of a distortion;" a latter-day view, in the tradition of Goya, of the tragic and grotesque fate that had overtaken his native land.

The many cinematically conceived tableaux of this play, written in 1920, as the first of four in the same decade and in the same manner, inveighs against the moral and physical ugliness of life in Madrid, as lived by the blind poet Max Estrella *(clearly a projection of the* dramatist himself) and his assistant Don Latino, up-dated versions of Don Quixote and Sancho Panza. Max is arrested as a vagrant, flung into jail, mistreated and finally left to die, a rebel against the cruel establishment and its minions.

With comic, Dickensian strokes of the pen, Valle-Inclán recreates on stage the "accursed artists" of *the title of his day, the time-servers,* the corrupt politicians, the penniless intellectuals, the criminals and whores of the working-class district, where the action is mostly laid, the alcoholics, the dissidents and others, all victims of the social order or of their own failings.

Lights of Bohemia was invited to make its bow in Paris by Giorgio Strehler, whose own grotesque interpretations of critical 20th century drama closely resemble what Pasqual and designer Puigserver have concocted. It has been packing the Catalan National Theatre since it opened in Barcelona last month. Understandably, it was banned by a *frightened* Carlist *regime* in the 1920s (when it succeeded in sending Valle-Inclán to jail as a dissident) and, needless to say, by the fascists, too, except in a bowdlerized form shortly before Franco's death. This, therefore, is really its world premiere in its uncut form.

At the head of home company, José Maria Rodero and Carlos Lucena in the two leading roles, do their author proud. On the opening night and thereafter it was given a standing ovation. *Although* set in Madrid, this might just as well be any large city where oppression reigns. The Catalans have long memories and naturally expressed *their delight* at the artistry and the didacticism of the piece in the traditional manner.

Stamp sales a boost to UN funds

THOUSANDS of people have been scanning their post over the past few days for portraits of refugees by the Swiss artist Hans Erni.

They are stamp collectors awaiting the first-day covers of a new stamp series issued last week by the United Nations.

The 75-year-old painter was commissioned to design six stamps on the theme "A future for refugees."

The buyers of his tiny portraits are, probably without realising it, the major non-governmental source of UN funds.

Franklin D. Roosevelt, a keen philatelist, first voiced the idea that the world body should have its own stamps to promote international friendship and understanding.

In 1947, two years after Roosevelt died, the General Assembly instructed the world organisation's first Secretary-General, Trygve Lie, to look into founding a UN postal service. Lie did not favour the idea, arguing that it would merely drain the budget.

After a series of debates the idea was approved in 1950 and the right to issue stamps, previously considered the prerogative of nations, was granted for the first time to an international organisation.

The original plan was to publicise the UN, not make a profit. Yet almost from the start money was made and revenue from the stamps, first issued in U.S. dollars and later in Swiss francs and Austrian schillings, has grown.

In 1983 stamps were the biggest non-government contributor to the UN, making a record net profit of about $15m.

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The case for voting

AS A European event, the campaign for the elections to the parliament in Strasbourg has scarcely taken off. Reports in this newspaper over the past two weeks have shown that from Athens to the Highlands and Islands of Scotland electorates are either primarily interested in the effects of the results on their own national or local politics, or not much interested at all. No one, it seems, is voting for Europe and many may stay at home.

The reports have also demonstrated that in so far as the bulk of the electorate thinks of Europe as a community, it is seen as a cow to be milked rather than a beast to be cherished. The metaphor is not inapt: agriculture has emerged as the biggest single issue and it is with agriculture that the Community is most commonly identified.

Not done well

That is a comment in itself. A quarter of a century after the signing of the Treaty of Rome, Europe is quarrelling about farm prices. True, it is better than quarrelling about other things: for example, territory. But those gains were made made 30 years ago. The Community has not done well in the past decade.

The parliament in Strasbourg has not contributed much either. It is a hybrid body, lacking in real power and incapable, it seems, of greatly extending its influence. One of the saddest facts about its history is that there has been so little progress towards the development of cross-national parties. If the Community is to be revived in the next few months, the parliament will have only a small role in the process. Rescue will come from the heads of government, if at all.

None of this, however, is a justification for not voting. For a start, to have an elected parliament of any kind is a luxury not enjoyed in every country. The European Parliament is unusual in that it was imposed from the top rather than by popular demand. But it would be silly to spurn it for that reason. The way to get it to work is to vote for it, then kick it into action. Some time it might come in useful. It would be a peculiar retreat into the past, and into nationalism, to say that Europe does not need an elected assembly.

Nor are the purely national reasons for voting entirely beyond the pale. If the Greeks want to say what they think of Mr Papandreou's performance as prime minister via the European ballot box, they should be encouraged to do so. It is, after all, a better way of expressing opinion than was allowed under the colonels.

Similarly, there is every reason why the French may wish to give a mid-term judgment on President Mitterrand, why the Italians may want to say something about the state of their major parties, why the Germans may wish to let in the Greens and why the Danes should give a view on whether it was right to join in the first place. It may not be European democracy in full flood, but it is better than opinion polls.

British case

The British case is perhaps the most difficult of all: there was an exceptionally low turnout last time and the country remains a reluctant member. Yet those tempted to stay away should ponder two points. The first is that a low turnout again this week will do nothing to raise British stock in a Community that is becoming impatient with British attitudes. The second is that the results are not without importance for domestic politics.

If the Alliance falls far behind Labour in its percentage share of the vote, its chances of becoming the natural opposition to the Tories will receive a setback. Is that what an apathetic British electorate wants to happen?

In the context of the European elections, the case for voting Alliance is twofold. Whereas Labour continues to fudge and Mrs Thatcher remains strongly nationalistic, the Alliance actually wants to develop the Community. A strong Alliance vote, moreover, would be an indication that the realignment of British politics is still going on. Nothing could be healthier than that.

Italy muddles along

THE POLITICAL kaleidoscope of Italy is undergoing a thorough shaking up. The death yesterday of Sig Enrico Berlinguer has removed the man who brought the Communists to the forecourt of power, only to falter at the doorstep. A mounting malaise among the leaders of the Christian Democrats is putting into question the survival of the coalition government of Sig Bettino Craxi, a Socialist. The report due next month from a parliamentary commission investigating the mysterious P-2 masonic lodge which has been linked with a welter of scandals is certain to affect the political scene.

Yet, all that said, it is most improbable that this sequence of events will radically transform Italian public life. In the political arena there is no viable alternative to a government grouped around the Christian Democrats, whatever the party affiliation of the prime minister. As for the economy, no likely coalition could muster the strength to put into practice the prescription of Sig Carlo Ciampi, Governor of the Bank of Italy, for putting things to rights. His proposal is to aim for a period of several years during which the tax take grows more quickly and public spending more slowly than GNP. Only a strong government with a united purpose could hope to achieve that.

Demonstration

Saying so is not to belittle the work of the Craxi Government in power since last August. It has tried to tackle the budget deficit, and it has made some progress curbing (without abolishing) the inflationary system of wage indexation known as the *scala mobile*. The latter was achieved against bitter obstruction by the Communists.

Sig Craxi was giving a clear-cut demonstration of his intention to govern decisively and of his intention to steer clear of any entanglement with the Communists. It was one of the ironies of Sig Berlinguer's career that he could become one of the commanding figures of Italian public life and yet fail with both his bids to enter government. The Christian Democrats, after a period of ambivalence, refused his "historic compromise." He then veered towards a popular front with the Socialists and was once again rejected.

Nonetheless, Sig Berlinguer took his party far enough down the Eurocommunist road for there to be no turning back. The pro-Moscow wing of the party is in a clear minority. At bottom, Sig Craxi's strategy is to play upon this division within the Communist following and to try to draw the pluralist-minded among them into his own party. Inevitably it is a long-term strategy; the Socialists at present command barely over one-tenth of the popular vote against about one-third each for the Christian Democrats and the Communists.

It is also a strategy with an obvious short term danger. Once the Christian Democrats perceive that Sig Craxi is making *substantial progress* they will be sorely tempted to sink his government and once again claim the prime ministership for themselves. That moment may come soon if the elections to the European Parliament on June 17 confirm the loss of support for the Italian Christian Democrats shown in last year's general election.

For Italy the implications are not encouraging. No government is feasible under foreseeable circumstances that does not have the Christian Democrats at its centre, where they have been since the war. The dialectic of democratic change is denied. The Christian Democrats themselves are denied the pause for reflection which a period in opposition might give them.

Corruption

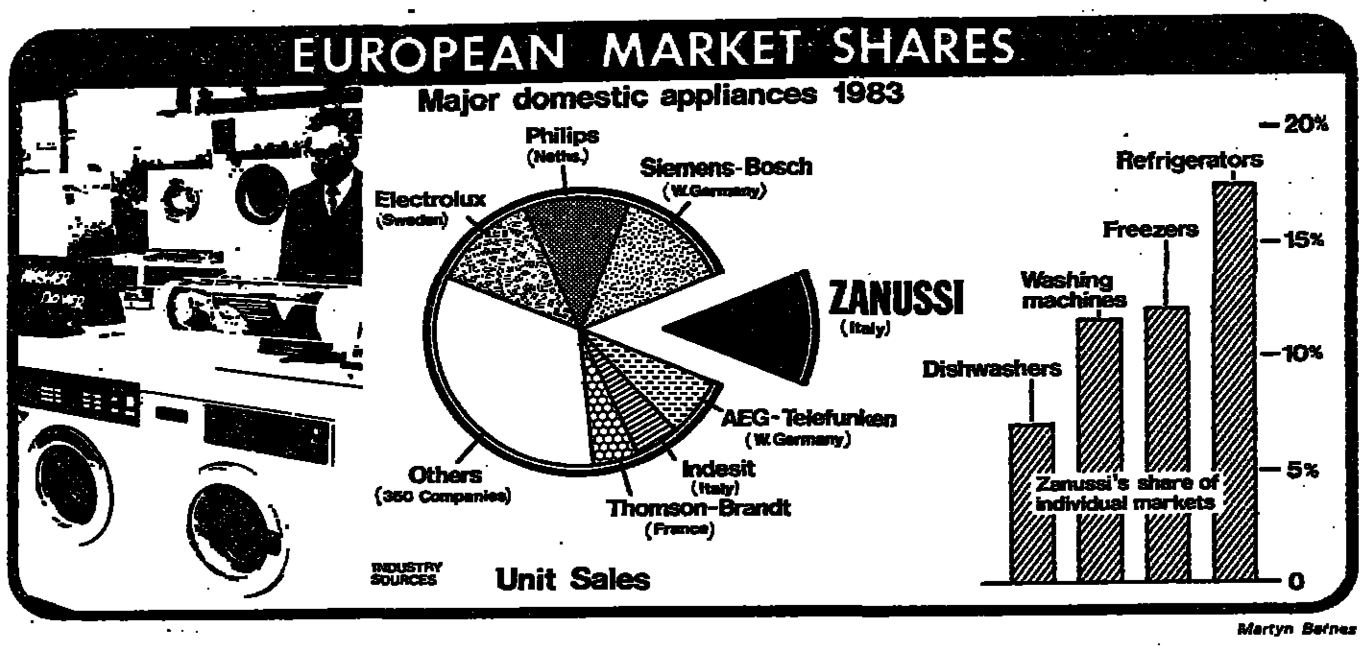
As a result their party is ridden with factionalism. The corruption of public life is notorious. It is a long time since the Christian Democrats have produced a leader whose decisiveness and willingness to combat abuses could match that of men like Sig Berlinger, Sig Craxi, or the Republican ex-Premier, Sig Giovanni Spadolini.

Perhaps all that needs to be taken with a pinch of salt. Much of real life in Italy bypasses the official institutions. A flourishing grey economy is only one example. But the fact that the worst has so far always been avoided does not mean that the charmed life will last forever. The popularity of some men of evident integrity who have caught the popular imagination suggests that there is a hankering among the electorate for a reform of the system.

EUROPE'S WHITE GOODS INDUSTRY

Zanussi: the shake-up begins for an Italian heavyweight

By Alan Friedman in Milan and Carla Rapoport in London



Martyn Barnes

'Europe's four leading manufacturers are rubbing shoulders with around 12-13% each of a virtually static market'

THE long awaited shake-out in Europe's $10bn a year white goods industry is on its way — and the catalyst is the financial crisis at Zanussi.

Italy's largest domestic appliance manufacturer can only afford to pay $10m of a $28m foreign debt repayment due this Friday and urgent talks are under way to raise *the additional $18m the company* needs immediately to prevent a default.

Bankers, Government officials and Zanussi executives will meet in Rome on Thursday to discuss a comprehensive rescue package for the company—including a rescheduling of its L1,046bn ($626m) of debt.

But, more important for the beleaguered European white goods industry, they will also consider the mechanism by which a new foreign equity partner could join hands with Zanussi.

Waiting in the wings are two of Zanussi's major European rivals: Electrolux of Sweden and Government-owned Thomson-Brandt of France. However, Electrolux appears to have an edge on the French *company, which has reported* losses in each of the past two financial years.

A partnership with either suitor would create for the first time a clear market leader in the heavily fragmented European industry, posing a major threat to marginally profitable producers.

"Who would be vulnerable? Everybody, and I mean everybody," said a top executive at one rival company yesterday.

The European market is ripe for a shake-out. With virtually no unit growth over the last five years, the sector has spelled losses, or unacceptably low profits, for almost every manufacturer.

Waiting in the wings are two rivals

As the chart shows, Europe's four leading manufacturers are rubbing shoulders with around 12 to 13 per cent of the market each. The result has been a lack of a price leader, with retailers able to use the competition among manufacturers to hold prices relatively flat over the last three years.

A foreign partner for Zanussi would close a major chapter in the once-brilliant career of this family-owned firm. Zanussi helped pioneer the modern manufacturing technologies for washing machines and refrigerators in the 1960s and 1970s.

By gearing up to huge production levels long before its British and German competitors, the company managed to romp through European markets with inexpensive, well-made machines. In Britain, for example, Italian imports of washing machines jumped from 5 per cent of the market in 1970 to 25 per cent in 1975 and today account for 30 per cent of the total.

At the same time, Electrolux was building itself into a world-class multi-national, largely through the acquisition of some 100 companies in 15 years. It has the reputation for turning round ailing companies such as Facit, the office equipment maker.

A Zanussi link-up with either Electrolux or Thomson-Brandt would allow a rationalisation of sales, marketing and distribution forces which would enable the new partnership to be aggressive on prices while still improving profitability.

But with Thomson-Brandt holding some 5 per cent of the market, and Zanussi and Electrolux 12-13 per cent, an alliance between the latter two would clearly be more formidable.

There would also be little chance of interference by competitor authorities, for the two groups combined would still have just over a quarter of the overall European market.

The two are highly complimentary in both products and markets.

In Scandanavia, for instance, where Electrolux has a hammer-lock hold on 50 per cent of the market, Zanussi is practically unknown. In Italy, Zanussi holds a quarter of the market compared to just 1 per cent held by Electrolux. The Swedish group has almost no exposure in West Germany in white goods and admits to losing money on its large business in France. Zanussi is stronger in West Germany, largely through private label business, but smaller in France.

Although management mistakes have been made over the past decade, the problems of Italy's second largest private heavy manufacturing concern (after Fiat, in terms of employment) are now almost entirely financial.

Last year, for the second year running, the Zanussi group made a loss of around L130bn ($78m) on sales of L1,800bn ($L1bn). Total gross debt therefore amounts to more than 58 per cent of consolidated sales and is costing L140bn a year in interest charges.

Italian Premier Bettino Craxi: Government concern over jobs

Former Zanussi chairman Lamberto Mazza: criticised for acquisitions

Although Zanussi's registered share capital is L80bn, the reality, according to a Zanussi executive, is that the group has a "negative net worth—that is, its shareholders funds have all disappeared. Many of Zannussi's staff salaries are being disbursed directly from bank cerditors—such is the company's shortage of cash.

How did Zanussi get into this mess? The most serious problem was the way in which both the company's management and its bankers allowed the company to remain extraordinarily undercapitalised for more than a decade of enormous expansion and investment—both in new *technology and in other* companies in diverse sectors. Everything was financed by the banks.

Over the past five years, Zanussi's debt has just about doubled as a result of a string of acquisitions in areas which had little to do with washing machines and refrigerators. The acquisition trail pursued by Sig Lamberto Mazza, who resigned after 15 years as chairman last summer, has been widely criticised. The company purchased many companies, some of them nearly bankrupt in areas as diverse as electronics, papermaking and kitchen furniture. They are reckoned to have cost Zanussi around L120bn in losses since 1978.

Zanussi's biggest losses came *from its ventures in electronics,* particularly in colour television. Between 1978 and 1982 Zanussi's three principal electronics subsidiaries—Zanussi Elettronica, Ducati and Inelco—consumed L300bn of group resources, but with little prospect of showing profitability.

Talks last year with competitors Philips and Thomson-Brandt led nowhere, but 11 months ago the company began holding talks of a more serious nature with Electrolux. These talks were intensified under the chairmanship of Sig Umberto Cuttica, a former Fiat executive who was put in last summer to reorganise Zanussi. Sig Cuttica resigned in frustration two months ago after making progress in two of the three parts of his recovery plan.

The Zanussi labour force has come down from 29,000 a year ago to 22,000 at present. And the group has been selling off many subsidiaries peripheral to its main business. Some 70 per cent of Zanussi turnover now comes from white goods and the group last year exported 65 per cent of the 4m units it manufactured.

But where Sig Cuttica could not succeed, was in recapitalising Zanussi. The Zanussi family still owns just over 90 per cent of the shares and has displayed no desire to commit itself with any new capital. And a loose collection of Italian industrialists has failed, despite promises, to provide any cash.

Sig Gianfranco Zoppas, the Zanussi chairman, who married into the Zanussi family and took over in April from Sig Cuttica, has therefore been holding intensive talks with Electrolux and with Thomson-Brandt. He seems keen to go ahead with the arrangement designed by Mediobanca, an Italian investment bank. This would involve Electrolux taking effective control of Zanussi for a sum between L200bn and L300bn. The rescheduling of Zanussi's crippling debt is seen as a *sine qua non* to any rescue. As one Zanussi executive put it: "There is no alternative. What choice do the banks have?"

Zanussi seems certain to be saved. The politicians in Rome are aware of the need to ensure a solution, since 20,000 jobs in the north-eastern region of Friulu are at stake. Provided an Italian compromise can smooth the voices of protest from regional politicians and trade unions, Electrolux or Thomson-Brandt will probably inject capital and then set about making drastic cuts in the workforce.

As a property, Zanussi is more attractive than its financial state suggests. It has a solid infrastructure of manufacturing and marketing, with what is regarded by many as Europe's best distribution network. The group has subsidiaries in the UK, France, West Germany, Austria, Belgium, the Netherlands, Norway, Switzerland and Denmark.

Rome's politicians aware of need for a solution

A recent agreement between Zanussi and the regional government of Navarra in Spain should lead to the reorganisation of the group's Spanish activities and could bring $13m of Spanish Government aid.

I Zanussi can be freed temporarily from the burden of its debt repayments, a major recapitalisation that is combined with other measures, such as a reduction of the workforce and a greater focus on making and selling what the group knows best, it could put the group back on its feet. And that in turn could have dramatic repercussions on the rest of Europe.

Men and Matters

Citicorp's summit

His aides insist that it is not a farewell visit, but the four days that Walter Wriston is spending in London this week could hardly be described as routine, either.

The soon-to-retire chairman of Citicorp, the world's largest bank, has an action-packed schedule of meetings with Britain's financial bigwigs—in*cluding Nigel Lawson, Chancel*lor of the Exchequer—and a lavish lunch for Citicorp's prized friends and customers at Goldsmiths Hall tomorrow.

Wriston's programme is so shrouded in security that precise details of his movements are even harder to get than those of the world leaders who attended last week's economic summit.

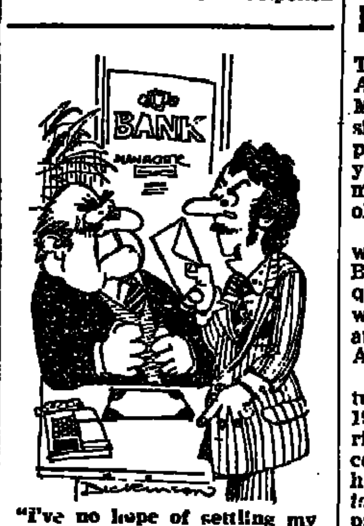
The ostensible reason for his presence in London is a Citicorp board meeting (it frequently meets abroad; London was last a venue in 1969), which must rank itself an economic summit of sorts, including as it does, the chairmen of Exxon, Nestle, W. R. Grace, United Technologies, Xerox, Kimberley-Clark, and Union Pacific.

But while the outspoken Wriston will doubtless deliver his opinions on the world debt crisis, the health of the U.S. banking system and other great issues of the day in his customary downbeat style, his audiences will have only one question on their minds: who is to be his sucecssor?

With only two months to go, that remains the best-kept secret in banking—which may be a credit to Citicorp's confidentiality but has split the bank into factions supporting the three contenders, vice-chairman Tom Theobald, John Reed and Hans Angermueller.

A much-overlooked fact is that Citicorp's presidency has also been vacant for a couple of years, so Wriston could perm two of the three somehow.

Will he make the announcement in London? There is a remote chance, I gather, though New York would be peeved if the news everyone has been waiting for finally popped out three thousands miles away.



"I've no hope of settling my overdraft but an Argentinian friend suggested I give you this letter of intent"

Boone companion

T. Boone Pickens, resident of Amarillo, Texas, chairman of Mesa Petroleum and professional stalker of big oil companies, dropped into London yesterday, looking more like a magazine salesman than an oil oil tycoon.

On his first visit since 1979—when Mesa sold its stake in the Beatrice field and effectively quit the North Sea—Pickens was in fot-stomping form before an audience of the London Oil Analysts Group.

His bundle of copies of Fortune magazine (December 26, 1983 issue, featuring his own rifle-toting frame on the front cover) was a result, he said of his failure to take his campaign *to control Gulf Oil to a final* proxy fight.

He had ordered 50,000 he said as ammunition in the fight, not because he found the journalistic stance partisan but because he felt the chief Gulf strategist, Harold Hammer, had helped lose the battle for his own side by attacking not only Pickens but some of his backers, including Walter Wriston. Hammer was quoted in the article as *indicating that part of his stra*tegy might be to stuff a tennis racquet down Wriston's throat.

Socal's intervention in the Gulf scramble, however, ended Mesa's challenge, leaving Pickens with a lot of Fortunes. "I'm down to 48,000 now," he said.

His theme for oil analysts was familiar. The big oil companies are badly managed — led by engineers instead of geologists — undervalued in the market place and so vulnerable to take over.

He also thinks that the U.S. is becoming overdrilled and that BP's dry hole at Mukluk in the Beaufort Sea was not only the most expensive dry hole in the history of the business but a turning point in oil industry expectations about big discoveries.

What did he think then of the area where BP is now making one of its biggest efforts, China? "Why," he said, "I wouldn't put stolen money into China. It's worse than the Beaufort Sea."

Clive's U-turn

Clive Jenkins, garrulous general secretary of the white-collar Association of Scientific, Technical and Management Staffs, has never been afraid of competing for union members with often bitter wrangles with other unions in key areas such as banking and electronics.

Even listing in Who's Who "*organising the middle classes*" as one of his recreations, Jenkins has plunged boldly into areas where other union leaders hoped he would never tread.

So imagine the surprise of a recent senior union gathering, organised by the TUC, when Jenkins went to the rostrum and seemed to be advocating something completely different.

An audience of general secretaries and presidents is hard to shock, but Jenkins managed it. He took his audience's breath away when he told the private meeting: "There is too much competition between unions now."

One *general secretary said:* "At first people couldn't believe what they heard. There were a few laughs—and then an embarrassed silence."

Perhaps Jenkins is becoming more aware of the practical problems of organising the middle classes. Today he should be at Blackpool for his own union's conference.

But it has been postponed. All the union's non-officer employees, members of another white-collar union, Apex, have been on strike for more than two weeks over pay.

Obeying orders

Mrs Thatcher is a persuasive lady. After she had given Yasuhiro Nakasone her full *frank view of the need for* Japan to buy more from Britain, the Japanese Prime Minister immediately sent his son to buy a Burberry raincoat.

What is more, he told a London Press conference, most of the Japanese delegation at the summit, have bought souvenirs.

Old fashioned

Collectors of sexist memorabilia may like to know that Etam, the women's wear fashion retailer, now involved in a £12.30m issue, was once known as "Everything to attract a man."

But these things happen. In the north where initials are put right, many people grew up *believing that* C & A stood for "Coats and 'Ats."

Observer

Letters to the Editor

The future for coal

From Mr J. Winterton

Sir,—The letter from Mr Davies on the question of new uses for coal (June 6) demonstrates how inadequate has been the debate over the key issues behind the miners' strike. Mr Davies is correct to remind us that "coal has greater potential *as a raw material*"; he is, however, wrong in assuming that the National Union of Mineworkers has not considered this.

Following last October's special delegate conference which initiated the overtime ban, the NUM launched its campaign for coal, with an information pack distributed within the union, to Members of Parliament and to the national Press. One of the seven booklets deals with new ways of using coal, including combined heat and power schemes, coal liquefaction and gasification. It is the National Coal Board, rather than the union, that has been reticent in developing new markets, although in fairness this is partly due to the restrictive obligations imposed under s. 1 of the Coal Industry Nationalisation Act 1946.

These arguments concerning new uses for coal are important in the current dispute because only on expansion of the market for coal can prevent the causes of the crisis—the introduction of some 25m tonnes of new capacity from *new developments* and restructuring—being translated through NCB policy into the closure of collieries and whole areas working in less favourable geological conditions.

The foreseeable exhaustion of North Sea oil and gas, coupled with the uncertainties surrounding the continuity of Middle Eastern oil supplies, demonstrates the need to exploit the liquefaction and gasification of coal. Such developments, however, are unlikely until we have a rational energy strategy based upon indigenous reserves of fossil fuel, and this is more likely to arise if the miners win their strike.

Jonathan Winterton.
Schools of Industrial Technology,
University of Bradford,
Bradford, Yorks.

Taxation and the heritage

From Mr D. Mahon.

Sir,—Antony Thorncroft's *excellent survey* (June 7) throws the most timely light on certain steps which could be taken, taxwise, to mitigate the losses to our artistic inheritance which, if nothing is done, are bound to increase enormously during the coming years.

I have just returned from Italy, where I have had an opportunity of verifying one of the first fruits of a recent law providing for substantial fiscal inducements to encourage private contributions for cultural purposes approved by the authorities. The case in question was the successful completion of the restoration of a series of frescoes which were rapidly deteriorating, the cost of which was allowed as a deduction from income-tax assessments.

Under the law concerned, contributions towards the staging *of major exhibitions* or the public acquisition of works of art can be treated in the same way, and a facility is now on the statute book for the payment of both succession duties and income tax by the transfer to the State of important works of art.

May I take this opportunity of stressing that in this country, when works of art are accepted in satisfaction of a capital transfer tax debt, 25 per cent of the 100 per cent statutory tax exemption enjoyed by an object thus accepted is allowed by Treasury as a credit to the surrenderer when calculating the amount of tax liability on other property which can be discharged by acceptance of that object? Thus there is no question, accurately speaking, of this 25 per cent being directly related to the amount of the liability to be written off, as might be inferred from *what Mr Thorncroft wrote.*

One can, however, only support his contention that a more equitable division of half and half of the benefit of the tax exemption between the surrender and the Treasury would render this mechanism for encouraging the retention of our heritage more attractive, and so more effective.

Denis Mahon.
33, Cadogan Square, SW1.

European Ferries arrangement

From Mr P. R. Welham

Sir,—How right Mr Stewart (Who pays the ferryman?, June 6) was to point out that under European Ferries' proposed scheme of arrangement two directors will substantially increase their hold on the company at no cost to themselves. On these grounds alone the scheme should be resisted.

In fact the scheme does not seem to have been thought through. EF proposes that shareholders who wish to continue to benefit from the fare concessions should convert into low-coupon preference shares. *But where is the cost saving to* the company here? A preference shareholders' register is no less expensive to maintain than an ordinary share register and since many shareholders will opt to convert only enough *shares to retain the fare con*cessions, many will become both ordinary and preference shareholders, increasing the cost to the company.

Not least EF is making the rather naive assumption that it is losing revenue by giving shareholders the concession. This assumes that if shareholders did not receive the concession they would still opt to travel via Townsend Thoresen, which, given the competitive state of the ferry market, is a rather rash assumption. The chairman's predecessor knew the value of marginal sales in an operation with high fixed costs.

Peter Welham
Flat 1,
4, Adelaide Crescent.
Hove.

From Mr J. R. W. Thirlwell

Sir,—I entirely agree with the points made by Mr Stewart (June 6) in urging institutional shareholders to vote against the European Ferries Scheme of Arrangement.

Speaking as a small shareholder, I wonder whether I am alone in finding the company's arguments for the proposed arrangements utterly spurious and reflecting poorly both on the company and their advisors.

Given that the company are prepared to guarantee concessions to holders of 600 shares until 1999 at least, it seems strange that they nevertheless choose to raise as an alternative to their proposals the possibility that the qualifying shareholding would have to be "increased dramatically," a suggestion which is ruled out as being unfair to existing shareholders with smaller holdings but who, in any case, will eventually lose their concessions if the scheme goes through.

Investors who have not used their concessions or institutions who are not able to use them were nevertheless well aware of this aspect of their investment when they bought the shares and which has been an element in capital appreciation since then.

As an investor as well as a user of the concessions I deplore this attempt to disenfranchise a substantial body of shareholders and trust that those institutions which boycotted the Reuters flotation for similar reasons will again act to help defeat the European Ferries proposals.

J. R. W. Thirlwell.
76 Little Bushey Lane,
Bushey, Herts.

Women and careers

From the Business Development Officer, Treasury Division, Bank of Montreal.

Sir,—The successful raising of children depends largely on the quality of love they receive, *not the quantity of time spent* with them.

J. M. Reid (June 8) has not recognised that an *executive* who is a mother is, unlike many working women, in a financial position to provide *first-class care for her children* while she is absent and that her time at home is far more "direct and close" than is that of those whose working hours are tied up with cooking, cleaning, wash*ing and ironing, etc. If the* mother is fulfilled and happy combining career and motherhood, then the children will respond to the relaxed atmosphere.

Contrary to J. M. Reid's advice to stay at home for 5-7 years, every child psychologist I approached—when deciding at what point I should resume a career — recommended strongly between six months and one year after the bith, "*when it hurts you but not them.*" My three daughters have assumed from the age of 18 months that anyone absent from the house (including the nanny) is "at work." Is this a bad thing?

Patricia Jamal,
9, Queen Victoria Street, EC4.

From Philippa Toomey

Sir,—In answer to J. M. Reid it is extraordinary to find the notion still prevalent that only mothers have children, and that fathers are relieved (in career terms) of all responsibility and duty for the upbringing and education of their children in family life.

The assumption that all women are the same woman, and that all children should be brought up in the same way ("the maternal role") is also an odd one.

Does Mr Reil ask about family responsibilities where men are concerned, and does he recommend only the "safe" stereotype of the family man—mortgage, three-piece suit, two cars, briefcase, season ticket, house in the suburbs, reliable pedigree dog, 2.4 children, and of course "maternal" wife—liable to stay in the same job till retirement?

No wonder that many of our enterprises are failing for want of new ideas, new people, lateral thinking, the imaginative approach to old problems and new technologies if these views help appoint executives in the "upper limbs" of the executive tree, while leaving out serious consideration of more than half the population. It makes one wonder if Mr Reid has ever spoken to a woman in his life.

Philippa Toomey.
4, Ardleigh Road,
London, N1.

Abolition of Metropolitan Counties

From the Leaders of the Metropolitan County Councils of Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear, West Midlands, and West Yorkshire

Sir,—There has been much speculation on if and how the Government will realise its promised substantial savings from abolition of the Metropolitan Counties. On June 7 the Department of Transport revealed the first card in the Government's hand.

In guidance to Passenger Transport Executives on the next round of three year public transport financial plans prepared in accordance with the 1983 Transport Act (which only applies in Metropolitan Counties) the Secretary of State is seeking reductions in revenue support of between 25 per cent and 35 per cent. Given that if the Metropolitan County Councils are abolished the Government intends to control the budgets of the succeeding joint boards, it is clear that for Public Transport it has decided to claim savings of around 30 per cent.

Whilst the Department of Transport will, no doubt, exhort the Executives to minimise the effects on the travelling public of its savage cuts (predicted *as 40 per cent increase or more* on fares and 25 per cent cut in services in West Yorkshire alone), the letter of guidance already issued specifically highlights concessionary fares and commuter rail lines as targets for attack.

It is perhaps curious that this guidance which according to Department of Transport circular 1/83 should have been given "in February or March of each year" has only now been issued. Could it be that it was not convenient to release the information whilst the "Paving Bill" cancelling the 1985 elections was still in the Commons and has there in fact been a slip in releasing it prior to the Bill's passage through the *Lords?*

More likely the heavy pressure from Executives and Councils required to prepare and submit plans by July 31 forced the Secretary of State for Transport to break ranks on the conspiracy of silence on financial aspects of abolition?

It is ironic that Patrick Jenkin has castigated the Councils of which we are the Leaders for publishing the true consequences of abolition. Now Nicholas Ridley's "guidance" shows only too clearly that rather than the case being overstated we are perhaps guilty of severe understatement.

B. Clarke.
Leader, Greater Manchester Council
R. Thwaites.
Leader, South Yorkshire County Council
G. Morgan.
Leader, West Midlands County Council
K. C. Coombes.
Leader, Merseyside County Council
M. Campbell.
Leader, Tyne and Wear County Council
John Gunnell.
Leader, West Yorkshire Metropolitan County Council

Trig Lane helipad

From Mr R. Magor.

*Sir,—One of your recent cor*respondents said it would be tragic if the helipad was closed down as its use was vital for business.

So I might say, is the need for people to work in reasonable conditions and I do not believe that the 30 od ladies and gentlemen travelling around noon on Derby Day in top and Ascot hats were contributing much to commerce, except perhaps to the caterers and bookmakers at Epsom.

One 14 seater helicopter, G-KATE, stayed on the pad making a noise for a very long time while the racegoers embarked, much to the inconvenience of office workers here.

Also his disturbance coincided with an important tea conference in the tea auction room here, involving Sri Lanka's Minister of Plantations, High Commissioner in London, and important members of the trade.

Discussion had to be suspended until the racegoers departed.

R. B. Magor.
Williamson Tea Holdings.
Sir John Lyon House,
5 High Timber Street, EC4.

Presidential training

From Mr Louis Turner

Sir,—Malcolm Rutherford asks (June 8) whether it would have made any difference if President Reagan had been an actor in "A" rather than "B" movies.

I've heard it argued that his absolute mastery in public performance rests precisely on the fact that his background was in cheap, hurriedly made films. *With no money* budgeted for retakes or fancy cutting, these films called for actors like Reagan capable of performing reliably first time round and for rather longer sequences (fewer camera set-ups) than bigger stars would normally be required to sustain.

The skills needed for this journeyman career (quick learning and reliable delivery) thus prepared him superbly for today's world dominated by the electronic media.

Louis Turner.
30, Fortnam Road, London, N19.

Bagehot and international lending

From Professor M. Lipton and Dr S. Griffith-Jones

Sir,—Samuel Brittan's careful discussion of our proposals for an international lender of last resort (ILLR) has been criticised by Professor Pearce (June 5). We propose that an ILLR should stand ready, in the event of sovereign default, to purchase (or to lend against the security of) claims—valued at a heavy discount—by a *seriously* troubled commercial bank upon the sovereign defaulter. Professor Pearce states that this proposal, intended to update and internationalise Bagehot's rules, would have given Bagehot apoplexy.

In Lombard Street Bagehot unequivocally states: "Theory suggests, and experience proves, that in a panic the holders of the ultimate bank reserve (whether one bank or many) should lend to all that bring good securities, quickly, freely and readily. By that policy they allay a panic; by every other policy they intensify it." In circumstances of sovereign default, it would be the willingness of ILLR to buy the threatened claims, or to lend against them, that determined whether they constituted "good securities."

Professor Pearce's point seems to be that Bagehot wrote in the era of the gold standard, whereas today—with a large fiduciary issue—a central bank, in discharging ILLR obligations, would disastrously aban*don any* control over the money supply. If this argument were correct, it would apply with equal force to national LLR obligations; nobody has suggested that central banks should abandon these. Indeed, Professor Hayek, in your columns, has recently outlined a scheme for ILLR with strong similarities to ours, but in which the central bank would contract overall money supply by an amount equal to monetary expansion involved in any ILLR rescue operation.

In fact, we differ from Professor Hayek. He gives absolute priority to controlling money-supply. In crisis, we would give priority to providing assurances that *the lending* capacity of the banking system would not be drastically contracted. If sovereign default greatly reduces the banks' cash base (and especially if that in turn provokes the withdrawal of deposits), there will be a massive contraction of credit, and therefore of the velocity of circulation of money, V. Even many monetarists might be ready to accept an offsetting rise in the quantity of money. They might regard long-run V as fairly stable, but clearly a sharp contraction of credit, created by a large and unexpected non-repayment of loan to a bank, produces a big short-run decline in V. Surely this should be compensated in some way by the monetary authorities?

These are legitimate grounds for debate. The view, however, that money-supply control is inconsistent with ILLR, or that Bagehot would have been rendered "apoplectic" by the framework in which they were presented consistently, is simply wrong.

(Prof) Michael Lipton,
(Dr) Stephany Griffith-Jones,
Institute of Development Studies,
University of Sussex,
Brighton.

UK ENGINEERING

Renaissance by computer for the small man

By Ian Rodger

CHARLES WILSON and Mike Cheesman are the kind of people who should appear in Conservative Party advertisements to illustrate the supposed *new "go-getter" spirit in British* society.

Four years ago they gave up secure jobs and set up in business. They have worked hard and ploughed back most of their earnings to develop it. Despite the recession, turnover has soared to £200,000 a year and they now employ 10 people.

However, two things about their business might startle Tory thinkers. First, it is in traditional metal bashing—making engineering components, not hamburgers or microchips. Second, it is located on the edge of the New Forest, not in the West Midlands.

Wilson and Cheesman's company, Lipco Engineering, is part of an extraordinary renaissance taking place in the engineering subcontracting sector in Britain.

It is based on the adoption by the *subcontractors of* sophisticated computer controlled (CNC) machine tools. Although these machines are very expensive by traditional machine tool standards, subcontractors are finding that they are the key to new areas of business and high profit margins.

"Without CNC, we would not have the order for those turrets," Mr Wilson says, pointing at a casting for a York Technology optic fibre measuring machine being milled on a machining centre.

Lipco is also part of a shift southward of the concentration of subcontractors, as entrepreneurs abandon the stagnant traditional industries and follow the high technology sectors. Bridgeport Textron, a big supplier of machine tools in the subcontractor market, reports that over half its potential is now south of a line between Gloucester and Bedford, up from 43 per cent in 1981.

Statistics on the subcontracting industry are hard to come by, but the indications are that growth has been fairly rapid in the past few years and the *trend to CNC massive.*

The Department of Trade and Industry's recently published statistics on business start-ups showed that there were nearly 15,000 more start-ups than failures in the production industries in the past four years.

Also, two years ago, the government launched a scheme to encourage small manufacturers to buy CNC machines, offering to pay a third of the cost. The DTI estimates that over 4,000 small subcontractors have used the programme.

Machine tool builders confirm that the subcontractors form the liveliest market for their products. Wadkin, which designed a new range of machining centres for this market three years ago, says sales to subcontractors now account for half of total sales against only 15 per cent in 1981.


Hugh Routledge
Mr Martin Scott (left) and Mr John Baldwin in their plant at Corby.

The subcontracting sector is a turbulent one, with small operators popping up and disappearing every week. At the simplest level it can be a couple of engineers manning a *lathe in a garage*, but a more typical operation will have up to a dozen people and a similar number of machines.

Take the case of L. A. Tooling at Gosport near Portsmouth. It consists of six machinists, 11 machine tools and a radio blaring pop music, not to mention a delicate looking young woman perched in an alcove picking her way through baskets of greasy bills and components. They are all crammed into a shabby 1,500 square foot shop in a dingy little industrial estate off Gosport's main road.

Alan Linwood set up the business in 1979 after leaving a polytechnic. He and his partner Les Sheppard manage by bidding for small jobs making prototype parts for local manufacturers. LA's turnover is running at about £350,000 a year, six times the 1979 level.

The subcontractor's stock in trade has always been his willingness to do a job more cheaply and more quickly than a manufacturer can do it in-house. Martin Scott, who, with his brother-in-law John Baldwin runs a machine shop at Corby, says: "We're not averse to working through Sundays. Once we get a customer, we hope to keep him for life."

But manufacturers face trade union resistance to contracting out and they have doubts about the subcontractors' ability to work to a high and consistent quality standard. Also, during the recession, companies tended to bring in work previously done by subcontractors to avoid having to make employees redundant.

Today, trade union power is reduced and, as Lipco, LA Tooling and hundreds of other small entrepreneurs are demonstrating, the quality stigma can be swept away, thanks to the use of CNC machines. CNC ensures consistency. A CNC lathe will turn any number of castings to an identical shape, once it is programmed.

Manufacturers can get these benefits too by putting CNC machines in his own shop, and many do. But the extra advantages of CNC for the subcontractor are the much faster set-up and machining times than are possible on standard machines. This enables him to move quickly from one job to another, providing good service to the customer and maximising the expensive machine's earning time.

Subcontractors were once reluctant to get into CNC, partly out of fear of the alien electronic technology and partly because of the high cost. A decade ago, an engineer could buy a standard milling machine and set up in business for under £2,000. CNC machines start at £20,000 and *move up very rapidly to £60,000* and more.

But the pressure from customers has proved overwhelming. "Some customers won't let you quote for a job unless you have CNC," says Mr Roger Fardon, managing director of Warman Products, a long-established subcontractor in Birmingham. Today, it is not uncommon for subcontractors to have machine tools worth at least as much as their annual turnover. Warman's turnover, for example, is about £360,000 but it has machines worth £500,000 on its shopfloor.

When the recession hit in 1980, Warman had 85 *employees* and a *turnover* of roughly £¾m. The directors realised that not only was demand dropping but so was the nature of the orders coming in. Manufacturers were becoming intensely conscious of inventory levels, and so were cutting the size and increasing the frequency of their orders.

"Lead times dropped from six weeks to two weeks," Mr Fardon says, and the company could not respond with its *standard machine tools.* It slashed its workforce to 55, invested heavily in CNC machines and bid aggressively for any business that was going. "We coped in the recession by meeting short delivery times," he says.

Cost savings on CNC machines vary depending on how they are used. One subcontractor counts on them being twice as productive as standard machines, another *said he could cut his prices by* a third as a result of converting to CNC. Moreover, he could get his jobs done in a quarter of the time and cut the reject rate to almost nil.

It is still too early to predict all the effects of the CNC revolution on the subcontracting sector. Most operators are still getting used to the heavy financial burden they have taken on, but they are confident things will move their way in the next few years.

"If I had gone into the hamburger business instead of this, I might have made a lot of money," a Coventry subcontractor said. "But we can make money here. The profit potential looks good."

FINANCIAL TIMES

Tuesday June 12 1984

GANDHI SAYS PROTESTS OVER AMRITSAR THREATEN INDIA'S INTEGRITY

Hundreds of Sikh soldiers desert

BY JOHN ELLIOTT IN NEW DELHI

SEVERAL HUNDRED Sikh soldiers are believed to have deserted, and one senior officer killed in two separate protests by Indian army personnel against the siege of the Golden Temple in Amritsar last week.

This escalation of the backlash against the army clampdown on Sikh extremists in the Punjab coincided with an increase in the political problems facing the Congress (I) Government of Mrs Indira Gandhi.

While security forces were hunting more than 500 Sikh extremists, including a large number of soldiers, in different parts of the country, a second Congress (I) Sikh MP yesterday resigned his Punjab seat.

The most senior member of the Sikhs' Akali Dal party not under arrest, Mr Pakash Singh Badal, a former Punjab chief minister, said he opposed any talks between Sikhs and the Government on a permanent solution to the Punjab problem. He also called for a country-wide day of prayer next Sunday and said Sikh government ministers should resign.

Meanwhile, Mrs Gandhi heightened the political tension by visiting troops in the Pakistan border state of Jammu and Kashmir, where there has been considerable unrest in the past week. This is a particularly sensitive area because of the state's large Moslem population and its disputed border with Pakistan.

Mrs Gandhi rallied her troops by claiming that the country's integrity was being challenged.

The Government and her Congress I Party are both blaming Pakistan for helping the Sikhs, and have condemned pro-Pakistani forces in Kashmir, where army-imposed curfews have been introduced.

The desertion of Sikh soldiers is a serious blow for the Government because Sikhs make up about 5 per cent of the army's 1m soldiers. They have played a prominent role for many years.

A Government spokesman last night tried to play down the desertions by saying that only small numbers were involved, incited by civilian extremists with false stories about the army action in the Golden Temple.

There were reports yesterday that Indian Army soldiers had deserted in Kashmir. This was in addition to two other incidents in the eastern state of Bihar and the western state of Maharashtra, both of which were confirmed by the Government yesterday.

In Bihar, Brig. R.S. Puri, the officer in charge of training operations at a Sikh regimental centre, was shot dead at roughly the same time that up to 500 Sikhs, including a large number of soldiers, broke out of the centre. They started driving a variety of more than 40 vehicles across India towards Amritsar. Two colonels were also reported injured.

About 80 were arrested early yesterday in Bihar and later 26 extremists were reported to have been killed and about 355 arrested.

In Uttar Pradesh, near the Hindu shrine of Varansi, another 130 were ambushed in a separate incident. At Pune, a famous army centre outside Bombay, a group of up to 100 Sikhs left their barracks and started driving to Amritsar, firing rifles along the national highway. They surrendered late on Sunday night.

The Government yesterday rejected reports of an alleged mutiny by Sikh soldiers last Friday in another incident in the state of Rajastan, which adjoins the southern border of Punjab. The Government claims that Sikh civilian extremists crossed into neighbouring Pakistan from the Punjab and then, having changed into Indian Army uniform, crossed back into India in Rajasthan.

First Chicago rules out link with rival

BY WILLIAM HALL IN NEW YORK

FIRST Chicago Corporation, regarded as one of the front runners in any possible takeover of its financially troubled rival, Continental Illinois, said yesterday that it no longer wanted to be considered as a "potential merger partner."

Mr Barry Sullivan, chairman of First Chicago, the city's second biggest banking group after Continental Illinois, said yesterday that the decision "was based on a comprehensive analysis of the benefits of a combination with Continental, compared with the alternative of First Chicago continuing to implement its own basic strategies."

A combination of First Chicago and Continental Illinois would have created an institution with assets of over $80bn, which would have ranked among the top three banks in the U.S. and top dozen in the world.

However, First Chicago's investment banker, Salomon Brothers, yesterday informed Goldman Sachs, Continental's investment banker, that it was no longer interested. It is understood that First Chicago, in common with the other interested parties, had sent in its own team to look at Continental Illinois.

One banker, closely monitoring developments, said that the information which Goldman Sachs had circulated on behalf of Continental Illinois had been nowhere near sufficient on which to base a possible takeover approach. He understood that all the interested banks had sent in their own teams.

Aside from First Chicago, Chemical Bank, Security Pacific and Citibank are thought to have been interested, although First Chicago has been the most visible to date, Citibank, for example, yesterday refused to comment on whether it was considering making a bid.

First Chicago yesterday declined to elaborate on its brief statement. There has been considerable speculation that Continental Illinois' loan portfolio is in worse shape than the published information indicates. At the end of March, its non-performing loans totalled $2.3bn, equivalent to 7.7 per cent of its loans.

First Chicago's apparent decision to withdraw from any bidding for Continental Illinois would appear to strengthen the latter's belief that its best interests lie in an independent solution to its problems.

Mr David Taylor, Continental Illinois' chairman, said yesterday "as I have said all along, there would be some attractive aspects to a merger between Continental and First Chicago. However, when all is said and done, the presence of two major money centre banks in the city is probably best for the competitive environment and general health of the financial community."

It was unclear yesterday whether First Chicago's decision to drop out of the race could be changed if the U.S. bank regulators decided to take over a substantial part of Continental's problem loans.

Hint of compromise in UK coal dispute

BY JOHN LLOYD, INDUSTRIAL EDITOR, IN LONDON

MR PETER HEATHFIELD, general secretary of the UK National Union of Mineworkers (NUM), indicated yesterday that there might be room for some compromise when talks resume this week between the union and the National Coal Board (NCB) in an attempt to settle the 13-week-old dispute over pit closures.

Mr Heathfield, interviewed in Sheffield, Yorkshire, was consistently optimistic about the future of the talks. "Hopefully out of these discussions. we will develop an agreement that will remove the uncertainty from a lot of mineworkers.

"I am optimistic that the board will be persuaded to move away from the adamant position they adopted originally."

Mr Heathfield appeared to suggest one area for compromise might be the reduction in output sought by the board. "We will be arguing that by the nature of our industry some pits will exhaust – pits run out of coal, pits become unsafe – and that will continue in future."

This suggests the board could obtain at least some of the 4m tonnes of reduction in capacity which it called for in March by the deterioration in the pits during the strikes and by further deterioration or exhaustion in the next few months.

Mr Heathfield said the board was "now concerned with the long-life pits with high levels of capital investment – they are concerned about the future of these pits so are more willing to talk more seriously about our problems."

The previous three sessions of talks between the two sides have revealed that the board foresees further expansion in the industry in 18 months' to two years' time, as the market improves.

The NUM's response to this is that if the industry is to expand in the relatively near future it should not make redundant the 20,000 mineworkers who, it has been calculated, would have to go if the board's closure programme were to be fully implemented.

Mr Heathfield conceded that some of the support from other unions had been "a bit patchy," but he insisted, "I am delighted with the support. There's plenty of developments now, the efforts of national leaders are going down the line and being implemented at local level."

He denied that the union was under any pressure from a "drift back to work" in the English Midlands coalfields. "Where there are men going in and out, it is where they have been consistently going in and out anyway. There is no shift of any consequence elsewhere."

He conceded that it would take "quite a time for the union to heal the wounds" of the divisions created by some areas not joining the strike. He said, however, "history is on our side. We will retain one organisation. We will remain the representative body of our members. Talks of breakaway unions in my view are nonsensical."

Mr Heathfield said the future position of Mr Ian MacGregor as chairman of the National Coal Board would "depend on the style of his leadership – whether this experience modifies his approach remains to be seen."

More high productivity pits – for which the board is pressing – could mean that "you have the ability to sustain the marginally uneconomic pits, because of the greater availability of low-cost production."

His comments square with the relatively optimistic comments made by Mr MacGregor after the talks on Friday between the two sides in Edinburgh – the first which the NCB chairman attended since the opening session of talks ended in an acrimonious stalemate.

Mr Heathfield believes the talks will be concluded – one way or the other – before the NUM's delegate conference in Sheffield on July 11 and 12 and that the union leadership will be able to put recommendations to that body. He said he expected the NUM and NCB would soon begin 24 to 48-hour negotiating sessions in search of an agreement.

Nakasone calls for stronger ties in West

Continued from Page 1

ing a new era in world history – an era in which Japan and the countries of Western Europe will work together for world peace and the creation of a new civilisation."

More rapid communications and the development of the mass media were blurring the old demarcation lines between the West and the Eastern Pacific countries, he believed.

"Europe is no longer the Europe of the past, nor is Asia the Asia of the past. Both are searching for new identities," he said.

After World War II, he said, Japan had "with deep remorse for the past" limited its military capability to the minimum required for self-defence.

In recent years, Japan had played a more active role both in defence and in economic co-operation with developing countries.

However, Mr Nakasone said: "Despite Japan's best efforts, when I assumed the office of Prime Minister in 1982 the situation was serious. A vast gap still existed between the Japanese reality and what the rest of the world expected of Japan."

Since then, Mr Nakasone said, he had made efforts to persuade the Japanese people to open up trade and capital markets.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	20	68	Dubrovnik	S	22	72	Malaga	S	23	73	Salzburg	F	22	72
Akrotiri	S	27	81	Faro	S	26	79	Malta	–	–	–	Seoul	S	28	82
Algiers	–	–	–	Florence	S	24	75	Manila	C	35	95	Singapore	C	31	88
Amsterdam	C	14	57	Frankfurt	F	19	66	Miami	C	29	84	Stockholm	C	11	52
Athens	S	25	77	Funchal	C	19	66	Milan	S	21	70	Strasbourg	F	23	73
Bahrain	C	35	95	Geneva	S	22	72	Moscow	R	14	57	Sydney	S	15	59
Bangkok	C	32	90	Gibraltar	S	21	70	Munich	S	21	70	Taipei	C	30	86
Barcelona	S	21	70	Guernsey	S	15	59	Nairobi	C	23	73	Tangier	S	26	79
Beirut	S	27	81	Helsinki	C	11	52	Naples	S	22	72	Tehran	–	–	–
Belgrade	S	26	79	H Kong	C	32	90	New Delhi	S	40	104	Tel Aviv	S	28	82
Berlin	C	15	59	Innsbruck	F	20	68	New York	S	35	95	Tenerife	S	24	75
Biarritz	F	18	64	Inverness	F	17	63	Nice	C	20	68	Tokyo	C	24	75
Blackpool	C	16	61	Istanbul	S	24	75	Oporto	C	17	63	Toronto	S	30	86
Bordeaux	C	20	68	Jersey	F	14	57	Oslo	S	15	59	Tunis	S	20	68
Brussels	C	14	57	Jo'burg	S	18	64	Paris	F	22	72	Valencia	S	24	75
Budapest	C	22	72	Las Palmas	–	–	–	Prague	F	15	59	Venice	F	22	72
B Aires	C	16	61	Lima	F	20	68	Reykjavik	R	10	50	Vienna	C	28	82
Cairo	C	34	93	Lisbon	S	26	79	Rio de J'o	C	30	86	Warsaw	F	13	55
Cape Town	S	15	59	Locarno	F	23	73	Rome	S	22	72	Zurich	S	22	72
Caracas	C	29	84	London	C	14	57								
Casablanca	S	23	73	Los Angeles	C	26	79								
Copenhagen	F	14	57	Luxembourg	F	19	66								
Corfu	S	26	79	Madrid	S	26	79								
Dublin	F	16	61	Majorca	S	25	77								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Thatcher puts poll emphasis on defence

BY MARGARET VAN HATTEM IN LONDON

MRS MARGARET Thatcher, the British Prime Minister, last night sought to turn the campaign for the European parliamentary election into a debate on nuclear defence.

Addressing a Conservative rally in London, she likened her party's record on the EEC to its record on Nato, implying that neither Labour nor the Social Democrat-Liberal Alliance were reliable supporters of Nato.

Mrs Thatcher said: "In these Euro elections, over half of the Labour candidates belong to or support CND (Campaign for Nuclear Disarmament) which wants to see an end to Nato.

"What kind of defence would it be to leave a monopoly of the world's deadliest weapons in the hands of a potential enemy? Faced with a threat we could not then deter, the only course would be surrender. That is why Conservatives believed in the nuclear deterrent. So does Nato.

"As for the Liberal-SPD Alliance, it consists of unilateralists and multilateralists – an alliance of opposites. Some alliance!"

Turning to the EEC, Mrs Thatcher said its record was one of consistent support for British membership. But the Labour Party had had six different policies on the question – "against, then for, then against, then for, then against, now for and against.

"Little wonder that the average voter doesn't have a clue whether Labour is for staying in or getting out."

Mrs Thatcher said that the EEC's growing strength as a world economic grouping could provide the basis for a bridge between East and West. But above all Europe should maintain and enhance its links with the U.S.

Mrs Thatcher herself came under fire yesterday from Labour and Alliance leaders over the London economic summit. Speaking at their respective press conferences for the European elections, Labour's Mr Neil Kinnock and Mr Roy Hattersley, and the SDP's Dr David Owen, lashed out at the summit's extravagance and opportunism.

Mr Kinnock, the Labour leader, said "It was a summit of spectacular smugness in which the most powerful economies of the world were represented, yet which completely avoided the obligations they had to stimulate economic expansion, and to sponsor a reform of international financial institutions."

Mr Hattersley, his deputy, added "This summit has achieved nothing except to enable Mrs Thatcher to spend £2.5m of British taxpayers' money on an event which might well have been organised by the Campaign for the Re-election of President Reagan, codenamed Creep."

Dr Owen, the SPD leader, said: "Economic summits are now a backdrop for domestic elections.

European elections, Page 2; Editorial Comment, Page 12

Alfonsin criticises IMF in letter of intent

By Jimmy Burns in Buenos Aires and Peter Montagnon in London

THE DISPUTE between Argentina and the International Monetary Fund deepened yesterday when the Government of President Raul Alfonsin publicly criticised the policies of the IMF, from which it is seeking loans totalling more than $3bn.

The Government said in its letter of intent to the IMF: "debtor countries cannot subordinate their domestic policies to the demands of creditors... They would only be able to honour their debt obligations through the introduction of programmes which favour their development and not by accepting formulas imposed from abroad."

The letter, which was due to be delivered to the IMF yesterday, sets out a programme for Argentina to reduce inflation and service its $43.6bn foreign debt. In a significant break with IMF precedent Argentina failed to obtain the approval of the IMF staff before announcing that it had signed the letter.

The introduction to the letter reaffirms Argentina's "co-operation and solidarity" with other debtor nations, while stating that debtor countries will not be able to meet all their debt obligations unless leading industrial nations abandon protectionist policies and high interest rates.

In its present form it is almost certain to be unacceptable to the IMF board, although it is understood that Mr Jacques de Larosiere, the IMF managing director, was yesterday keeping an open mind on the letter until he had seen it and studied its contents.

Argentina is known to have rejected IMF demands for a substantial cut in real wages as a means of curbing inflation, which is approaching 570 per cent.

Theoretically the IMF board could discuss the letter of intent and vote on a loan to Argentina without the country's programme having been endorsed by Mr de Larosiere, but this type of split between the Fund board and its staff has not happened in the past.

It seems even less likely now that the confidence in the IMF's ability to act as an economic policeman has come to be seen as a key factor in the handling of the Third World debt crisis.

Argentine officials are trying to calm fears about the emerging clash with the IMF. Sr Bernardo Grinspun, Economy Minister, told reporters Argentina would "continue to function" even if the IMF rejected the letter.

"I see no reason why the IMF should oppose the expansion of an economy... The Fund's only role is to decide whether an economic programme is consistent and nothing more than that."

IMF team for Turkey, Page 3

Italians mourn Berlinguer

Continued from Page 1

tion as a major force in post-war European politics.

Senior officials of the Communist Party, while preoccupied for the moment with arranging tomorrow's funeral of their leader, are increasingly turning their thoughts to his successor.

The next most senior man in the party after Sig Berlinguer is Sig Alessandro Natta, chairman of the party's control commission. But it is not certain that he will move into the secretary's post.

There have been suggestions that no single leader may be chosen for the party and that instead it will be guided by a collegial leadership of several top figures.

Last night Sig Berlinguer's body was accompanied by Sig Sandro Pertini, President of the Republic in the official presidential aircraft from Venice, which is near Padua to Rome. Then it was taken through the streets lined by silent mourners to the Communist Party headquarters in Via Botteghe Oscure, where it will lie until the funeral.

THE LEX COLUMN

Argentina throws down a gauntlet

Argentina has always had a great sense of the theatrical and its latest row with the International Monetary Fund could hardly be better timed. Its decision to deliver a broadside to the IMF Board in the form of a signed letter of intent that had not been previously approved by the IMF staff came just as the London summit was concluding that there was no need for any major changes in the way in which the debt problem is being handled.

The gap between President Raul Alfonsin, who has now set off on a state visit to Spain, and the IMF still seems to be so large that it will be nothing short of miraculous if the two sides can agree on an economic programme before the end of the month. That in turn means there is little chance of a deal between Argentina and its commercial bank creditors covering payment of overdue interest before the crucial June 30 deadline for U.S. banks. Once again the spectre looms of U.S. banks having to declare Argentine loans as non-performing with a consequent sharp fall in their second quarter profits.

It is hard to see how the summit could have defused this immediate problem but in any case its key recommendation that creditors should aim for rescheduling agreements on loans maturing for several years ahead has little broad application. Political incertainty in many Latin American countries makes such a long-term commitment very difficult. The proposal also fails to address the central question of how interest payments are to be financed.

Net transfers of interest to creditor banks are already holding up economic recovery in Latin America and whipping up opposition to IMF adjustment programmes.

No bank with loans outstanding to Latin America can have drawn much comfort from the summit, least of all those with a large exposure in terms of equity. IBCA Banking Analysis of London reckons that Lloyds has 195 per cent of its equity tied up in Latin America, the same as Citibank. Midland is again deemed to be not far behind with 189 per cent, which makes it more vulnerable than either Morgan Guaranty (136 per cent) or Bank of America (164 per cent), though such figures can only be a crude guide to the actual degree of risk.

Amersham

Were one to range companies by the market's understanding of what they do, Amersham could well be at the bottom. Many investors are a touch unsure about what even a conventional radio-immunio-assay diagnostic kit does. Faced with yesterday's news of Amersham's brave new alternative, based on the enzyme which makes fireflies glow, they can only nod encouragingly.

Within group profits up 22 per cent for the year at £13.7m, it would seem that the medical division is having a hard time. Most of the division's shortfall was due to the sharp increase in research and development. That apart, the market for radioactive diagnostics is also highly competitive these days, and is also growing much more slowly than non-radioactive alternatives – Amersham's new product being its first in this latter field.

But the new product, though expected, should help relieve one market worry that Amersham is mostly about radio-isotopes, and that a growing part of the diagnostics market is not. In any case, yesterday's figures suggest strongly that the medical division has been overhauled as the group's main growth area.

Of the 1,600 or so products which the research division supplies to laboratories working on the life sciences, some 200 were new last year. Amersham has maybe 40 per cent of a world market still growing very fast through the impetus of genetic engineering. On current year profits of, say, £16m, the shares – up 6p at 234p – are on a prospective p/e of 12, which for what is still a growth company is not asking much.

London & Northern

The latest report and accounts from London and Northern Group underline the radical impact of its acquisition last year of United Medical enterprises – and *not* just in relation to the uncertainties of UME's Middle Eastern business. The new subsidiary busily set about enlarging its leasing portfolio for tax shelter purposes late last year. As a result, it has added about £7¼m to L and N's extraordinary deferred tax charges, which is rather more than the £5.6m contributed by UME to pre-tax profits.

Possibly of more concern to L and N's management, though, may be the stock market's jittery reactions to anything connected with the Middle East. The group's announcement of a major Saudi hospital management contract for UME last month helped the shares up to 93p. Last night they closed at 80½p, which even against recent market conditions suggests a volatility which must still pose an obstacle to L and N's proposed flotation of UME at some future date.

Some extra geographical diversification for UME and a more secure grip on its existing contracts are two urgent goals in the meantime. Group pre-tax profits for the current year should reach £20m – little changed on 1983, given a full year's figures from UME – with increased activity in the UK balancing rundowns abroad. But that still leaves the shares on an actual tax multiple, assuming a 35 per cent rate, of less than six.

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SECTION II – INTERNATIONAL COMPANIES

FINANCIAL TIMES

Tuesday June 12 1984

Cetus and Grace in joint venture

By Louise Kehoe in San Francisco

CETUS CORPORATION, the California based biotechnology firm, has agreed to form a joint venture to pursue the development of agricultural products with W. R. Grace. The companies plan to form a partnership in which Grace will hold a 51 per cent share and Cetus 49 per cent.

Grace will pay "in excess of $60m," to fund the venture, while Cetus will contribute its agricultural subsidiary, Cetus Madison Corporation, as well as technology developed by the parent company.

The joint venture, to be managed by Cetus, will develop genetically improved plants and microbial crop treatment substances designed to reduce production costs and promote higher crop yields by improving a plant's resistance to disease and adverse growing conditions. In addition, the venture plans to develop animal health products.

Research to be conducted by the joint venture is long term, according to Cetus. It is expected to be five to ten years before saleable products are developed.

Robert Fleming to develop UK securities side

By John Moore in London

TWO DEALERS from Smith Bros., the UK stockjobber or market maker, are joining Robert Fleming, the merchant banking group, to help Fleming develop a UK securities business.

Robert Fleming intends to seek admission to the London Stock Exchange once the rules on outside ownership of stock exchange firms are relaxed. So far outsiders are only allowed to own a maximum of 29.9 per cent of member firms, but this rule is expected to be abandoned and 100 per cent outside ownership allowed.

The two dealers are Mr Tony Field and Mr Barry Marks.

AMC to build C$750m plant for U.S. market

BY BERNARD SIMON IN TORONTO

AMERICAN MOTORS' Canadian subsidiary is to build a C$764m ($587m) assembly plant on the outskirts of Toronto to supply the North American market with a new medium-size passenger car, the company said yesterday. AMC is 46 per cent owned by Renault of France.

The AMC plant is the third major motor industry investment in Canada announced in the past two weeks. Earlier Honda Motor Co. of Japan unveiled plans for a C$100m plant at Alliston, north of Toronto, the first assembly plant to be built by a Japanese motor manufacturer in Canada. General Motors' Canadian subsidiary is to spend C$235m on the modernisation and expansion of its engine facility at St Catharines, near Niagara Falls.

Financial incentives from the Ontario and federal governments have played a major part in attracting the new investments.

The new AMC plant, with a capacity of around 150,000 vehicles a year, will begin production in 1987. Engines and transmissions as well as other components will be imported from France. According to a company official, it was initially expected that the new model would be produced at AMC's plants at Kenosha, Wisconsin, or Toledo, Ohio. But these two facilities are currently operating close to capacity as a result of the sharp upswing in the North American car market in the past two years.

AMC currently operates a small vehicle assembly plant at Brampton – where the new facility will also be located – which produces the Eagle range of four-wheel drive vehicles.

Enstar bid meets Alaska hitch

BY OUR FINANCIAL STAFF

THE JOINT bid for control of Enstar, the loss-making Houston oil and gas exploration group, by Allied Corporation and Ultramar has run into a major hitch.

The Alaska Public Utilities Commission has refused temporary permission for Enstar to transfer its gas distribution utility certificate of public convenience and necessity to an Enstar subsidiary.

The spin-off of the Alaskan business was an essential part of the deal. Allied, the U.S. chemicals, energy and aerospace conglomerate, and Ultramar, the British oil company, have set up a partnership called Unimar Company, which in May announced an agreed cash tender offer of $18 a share for a minimum of 50.4 per cent of Enstar.

This valued the Houston oil group at $511m, but excluded the Alaskan business. The proposed hiving-off of the latter activity was intended to raise the value of the deal to shareholders by $2 a share, bringing the effective value of the offer to $20 a share.

Yesterday Enstar and Unimar said they were discussing alternative arrangements to the spin-off proposal. They expect any arrangement to result in Enstar holders receiving considerations close to the value of the original deal, which was to have been completed by June 20.

Mr Roy Huffington, an Enstar director and major shareholder who has criticised the offer, said the Alaska delay could jeopardize the sale of the company.

"I believe this sale offer is simply not in the best interest of Enstar shareholders," he said.

Mr Huffington and Mr Thomas Thompson, who heads an investor group holding 7.1 per cent of Enstar, have sought to block the takeover through the courts.

Several large shareholders, including Mr Huffington, have said that the bid is too low. Mr Thompson has accused the management of trying to "discourage and impede" competing bids for the company.

McDonald's recoups UK sales dip

BY OUR FINANCIAL STAFF

McDONALD'S, the fast-growing U.S. restaurant chain, yesterday threw a large spanner into the campaign in Britain against value added tax on take-away food, by claiming that sales were already moving back to levels attained before the tax was introduced on May 1.

Mr Robert Rhea, president of the company's UK subsidiary, said sales in the 141 outlets fell in the first two weeks of May, then picked up with the help of a successful promotion effort. The company had every indication that normal patterns were returning and hoped to be back on course in around four months.

The decision by Mr Nigel Lawson, the Chancellor of the Exchequer, to apply 15 per cent VAT to hot take-away foods and drinks has been condemned by fast-food chains, fish and chip shops, and other restaurateurs, with many claiming the move would have a serious long-term effect on their business.

McDonald's, for which "a sizeable portion" of UK sales comes from take-away food, said it had not participated in attempts to persuade Mr Lawson to change his mind.

Mr Rhea said the company had always thought it could build back the lost sales, while Mr Jack Greenberg, chief financial officer at the parent company, said McDonald's would be happy if it took a year for normal sales levels to be restored.

McDonald's set up its first UK restaurant in 1974, and has spread to cover a large part of the country, producing sales last year of £80m ($111.6m). All the restaurants are company-owned.

Steinberg bid would split up Disney

By Paul Taylor in New York

WALT DISNEY Productions would probably be split up under the plan by an investor group led by Mr Saul Steinberg, the U.S. financier who owns Reliance Financial Services.

The group is bidding $67.50 a share to increase its stake to 49 per cent and $72.50 a share for 100 per cent of the West Coast-based entertainment group.

In a Securities and Exchange Commission (SEC) filing the group, says Mr Kirk Kerkorian, another U.S. financier and majority owner of MGM/UA Entertainment, would have an option to purchase Disney's extensive film library and its cable television assets.

Another member of the group, Fisher Financial and Development, a New York-based property group run by the Fisher brothers family, would have exclusive rights to acquire some of Disney's valuable land holdings near its theme parks as well as rights to operate Disney's hotels.

The group, through Mr Steinberg, already controls 11.1 per cent of Disney's outstanding 37.9m shares. Under the lower share price offer it would pay $970m to boost this holding to 49 per cent.

The higher share price offer, subject to various conditions including Disney abandoning plans announced last week to acquire Gibson Greetings for at least $310m in stock, would cost the group $2.44bn and value Disney at a total of about $2.75bn.

The proposals, which appear to have caught Disney off-guard, were made in a letter to Disney directors last Friday

Better results for Fidis

TURIN – Fidis Finanziaria di Sviluppo SpA, a holding company controlled by Fiat, posted a net profit of L47.7bn ($28.5m) – up from L22.2bn a year earlier.

The board voted to increase the dividend to L250 compared with L170 the previous year. It also decided to put L16bn into reserves. AP-DJ

Waste Management offers $300m for SCA Services

BY WILLIAM HALL IN NEW YORK

WASTE MANAGEMENT, the biggest U.S. waste disposal group, has launched a $300m bid for the Boston-based SCA Services, the third biggest waste disposal company in the U.S.

Chicago-based Waste Management, whose waste disposal activities have frequently been the subject of criticism, announced a $21 per share cash bid for the smaller rival yesterday.

Waste said that the price it was offering was a 68 per cent premium over the average closing price last week. SCA's share price opened $4.50 higher at $17⅜ in early trading yesterday.

Analysts said that they thought the takeover bid, which could run into anti-trust problems, has been mounted because the Chicago company wanted to gain access to SCA's Chicago incinerator – the largest of its kind in the U.S. permitted to burn toxic polychlorinated biphenyls (PCBs)

Waste Management has been trying for a long time to win permission to burn PCBs and other hazardous chemical wastes at sea in the Gulf of Mexico.

The group is under pressure to dispose of over 1m gallons of PCBs stored at a facility in Alabama.

Mr Dean L. Buntrock, chairman of Waste Management, said in a letter to SCA Services yesterday: "We recognise that because your operations in certain locations overlap with ours, it is probable that some operations will have to be sold to a third party in order to satisfy anti-trust concerns. We believe that the operations to be sold will constitute a viable independent business that will be attractive to a third party." He said that Waste Management would assume the "economic risk of any disposition."

Waste Management provides integrated solid, chemical and low-level radioactive waste disposal services around the U.S.

Goldsmith cash plan for Continental bid

BY TERRY DODSWORTH IN NEW YORK

SIR JAMES GOLDSMITH, the UK financier, is planning to finance part of his proposed bid for Continental group, the U.S. packaging, energy and forest products group, through a capital increase at Diamond Land, one of his two main U.S. subsidiaries.

The aim is to beef-up Diamond's cash position by issuing shares to an outside industrial company without giving away control.

Diamond, ultimately owned by General Oriental, the group's Hong Kong-based holding company, has its assets largely tied up in 1.5m acres of U.S. timberland, valued at up to $800m by some experts.

Sir James's move comes amid signs that Continental is gearing up for an all-out defence against the proposed bid. The Connecticut-based company, fresh from a major operations overhaul over the last few years, has retained both Goldman Sachs and Morgan Stanley, Wall Street's two leading investment banks, for its defence.

Sir James has yet to launch a formal offer for Continental, but his proposed $50 a share bid would value the packaging company at $2.4bn.

The New York market had been widely assuming that in a bid of this size the financier would be largely structuring the deal as a leveraged buyout.

This was a technique he used previously for the acquisition of Diamond, in which the purchase was totally financed by debt secured against the target company's own assets.

The offer for Continental, however, is about four times higher than the price Sir James paid for Diamond, and Wall Street has shown some scepticism about this method of financing.

Castle and Cooke to write off $78m

By Our Financial Staff

CASTLE AND COOKE, a Hawaiian-based food processing company, is to take a $78m after-tax charge against earnings for the fourth quarter ending June 16, resulting in a loss of about $70m for the full year.

The company said the charge reflected the writedown of assets and investments to facilitate its exit from a number of low-return businesses. In its last financial year to June 30, the company incurred a $30m loss following a significant charge for the restructuring of banana operations

Castle and Cooke said most of the latest charge comes from its desire to phase out its seafood business. It will concentrate on branded, high-margin products.

The company said it has reviewed its investment in the previously discontinued salmon and shellfish businesses and is accelerating the phase-out of those businesses due to deteriorating industry conditions.

Castle and Cooke said: "In addition, the long-range prospects of the tuna industry are not consistent with our company's plans."

Strong advance in earnings at Wearne

SINGAPORE – Wearne Brothers said its group after-tax profit climbed 52.6 per cent to S$4.3m ($1.62m) in the half year to March, from S$2.3m the year before. Attributable profit soared 556.0 per cent to S$31.5m from S$4.8m, mainly because of a S$28.1m extraordinary gain from disposal of surplus properties.

Group sales were up 20.2 per cent to S$7.1m at midway from S$39.2m, while investment and interest income rose 12.8 per cent to S$6.1m from S$5.4m.

Wearne cited greater investment income and contributions from recent new business acquisitions for its earnings improvement. AP-DJ

Andrew Baxter reports on the pressures behind a U.S. regional financial revolution

New England banks on interstate acquisition trail

WHILE the attention of the world's bankers has been focused on the troubles of Continental Illinois or, further afield, on Latin America, a quiet revolution has been under way in the civilised banking parlours of New England.

The first U.S. experiment in regional interstate banking—allowing banks to merge or open new banks across neighbouring state lines — has brought a string of agreed mergers in the New England states.

Connecticut and Massachusetts have passed laws allowing banks to acquire, or be taken over by, banks from other New England states offering reciprocal arrangements. Maine has thrown open the doors slightly wider, allowing interstate mergers with any U.S. state offering the same in return. *Rhode Island's law, which comes* into effect on July 1, follows Connecticut and Massachusetts for two years, then joins Maine with the wider reciprocal provision.

New Hampshire and Vermont have taken no action so far. But whether they do, or whether the trend towards regional interstate pacts spreads to other parts of the U.S., depends crucially on a legal battle before a Federal court in New York, says Mr Stanley Wells, senior vice-president at Keefe, Bruyette and Woods, the banking analyst.

Citicorp, the bigest U.S. bank holding company, has mounted a challenge to the biggest deal to emerge since the experiment began last year, the $275m merger between CBT Corporation of Hartford, Connecticut, and Bank of New England of Boston, Massachusetts.

The crux of the big money centre banks' argument is that regional interstate banking will hinder the push towards a nationwide free-for-all. Behind this lies the suspicion that bigger regional banks would be able to strengthen their positions in their own patch, making it more difficult for the banking giants to take them over if and when nationwide interstate banking arrives. The big regional banks in New England have, not surprisingly, been strongly in favour of the regional laws, though they defend the moves as a logical first step towards nationwide interstate banking.

The Citicorp case is deadlocked at present, but a decision is expected soon. A verdict in favour of CBT would be a "clear-cut signal" to other regional banks and other states that such mergers could go ahead, says Mr Wells. If Citicorp wins, "it could bring regional interstate banking to a complete halt."

Despite the legal and regulatory uncertainties which threaten to unravel deals already tentatively agreed, New England banks are pressing ahead with expansion plans. Bank of Boston, the region's biggest bank, has agreed to pay $120m for RIHT Financial, the third biggest bank in Rhode Island, in a deal expected to go through once the Rhode Island law comes into effect.

Meanwhile, Fleet Financial Group, a diversified services company which owns Fleet National, Rhode Island's largest bank, has announced plans to open new banks in Hartford and Boston on July 2, assuming full regulatory approval.

Mr John Flynn, treasurer, said in London last week that Fleet would be looking for out-of-state bank acquisitions. It would aim for "good companies at the right price" rather than buy troubled banks whose performance could be improved.

Fleet's position illustrates the opportunities, and possible threats to independence, from banking deregulation. Previously, it could be taken over only by a Rhode Island bank—unlikely because of Fleet's size and almost certainly impossible on anti-trust grounds—or by a foreign bank, again unlikely because of the limited expansion opportunities in the smallest U.S. state. After July 1, says Mr Flynn, "the only other bank that could possibly be considered an acquirer would be Bank of Boston." When the rules change in 1986, the possibility of a takeover would exist, he says, *but at present Fleet* has no worries

Although the change in the law will make it possible for Fleet to consider out-of-state banking acquisitions, the company has followed a growing U.S. trend by applying to open "consumer banks" outside its home state. These take deposits from, and make loans to, the man in the street, but are not considered to be banks in U.S. terms *because they do not make* commercial loans.

Consumer banks have therefore been seen as a way round the laws forbidding interstate banking, but their future is at present clouded by political uncertainty.

U.S. bank holding companies are, however, allowed some diversification into non-banking activities contribute more than half of profits. This has been particularly important for a company whose bank has so far been rooted in the smallest U.S. state.

The aggressive geographic and product line expansion has brought Fleet 300 offices in 33 *states and four foreign countries*, with activities such as mortgage banking—a middleman service between the home buyer and permanent investor—consumer finance, cash management and leasing.

With non-bank profits rising faster than those from banking, total net earnings last year reached $52m on assets of $5.7bn, giving a creditable return on assets by banking *standards of 1.12 per cent.* The combination of good asset quality, diversity and strong management leads Mr Wells to the conclusion that, come 1986, "someone will go after Fleet."

In the meantime, Fleet can probably take comfort from the fact that, because of its success, its current share price of around $45 is about the same as book value, in contrast to the deflated level of many bank shares, and this would make any takeover comparatively expensive. Whether the same will hold true in 1986, or whether the regional interstate banking experiment continues according to plan, is anybody's guess.

Bergen Bank ahead in first four months of 1984

BY FAY GJESTER IN OSLO

BERGEN BANK, Norway's third largest commercial bank, achieved better profits in the first four months of this year than in the same period of 1983. In relation to average total assets, however, operating profits and net interest earnings were slightly lower than in the final four months of 1983, when conditions (including low minimum reserve requirements) were particularly favourable for bank profits.

The improvement on the year earlier was better than budgeted. It reflected a big jump in net interest earnings—to NKr 318m, from NKr251m—mainly owing to lower money market rates. Other operating income rose to NKr 155m, from NKr 105m, due to both increased foreign currency trading and a rise in share dealings

Operating profit, before bad debt provisions, reached NKr 168m ($21.8m), up 60 per cent. This amounted to 1.85 per cent of average total assets, compared with only 1.37 per cent in first four months of last year, and 2.08 per cent in last year's final four months.

Total assets at end April were NKr 27.9bn up by 21 per cent.

Sharp fall in profits at Dutch salvage group

By Walter Ellis in Amsterdam

SMIT INTERNATIONALE, the offshore services and salvage group based in Rotterdam, has announced half-year profits of Fl 4.5m ($1.48m) — 68 per cent down on the same period of 1982-83.

The group operating result for the six months came to only Fl 6.1m, compared with Fl *23.2m. An improvement* in the performance of non-consolidated participations, from Fl 1.5m to Fl 2.3m was the one positive feature of the results.

Smit had expected a downturn in performance. International towing and salvage have both been weak sectors lately, while hire charges for offshore equipment have also fallen.

Smit is currently in the news because of its involvement in sea rescue and salvage in the Gulf. It has gone to the rescue of a number of tankers caught up in the Iran-Iraq conflict and might expect to gain financially as a result.

A better second-half performance is forecast, but Smit still expects 1983-84 as a whole to be down on the previous year.

● Boskalis Westminster, the Dutch construction and dredging group which recorded a 1983 loss of Fl 47m ($15.4m), has announced a number of new contracts, won during the first four months of this year, together worth some Fl 350m. The new orders, mostly in the dredging sector, mean that Boskalis is on target for its projected sales total for 1984 of Fl 1.5bn.

Earlier this year, Boskalis announced that it was turning over responsibility for its heavy involvement in an Argentinian gas pipeline project to a consortium of Dutch banks. The pipeline has been responsible for a good part of the Dutch group's cash-flow problems in recent years, as money owed is held up by the Argentine debt crisis.

Within the Netherlands, reorganisation of the company has resulted in several office closures, and group employment has been cut by around 100 to just over 6,000.

Lesieur buys olive oil company

BY TOM BURNS IN MADRID

LESIEUR COTELLE, the French food group, has bought Spain's largest olive oil company, Carbonell y Cia, for an undisclosed sum, believed to be around Pta 4.4bn ($29m).

Lesieur has held 49.9 per cent of Carbonell's principal competitor in the Spanish olive oil sector, the San Sebastian-based company Koipe, since 1981.

The takeover is undestood to have been arranged by M Guy de Brignac, Lesieur's *chairman*, at the end of last week in talks with Carbonell's parent Banco Hispano Americano. Lesieur has agreed ot pay the consideration over the next four years.

Carbonell, which is based near Cordoba, the heart of Spain's olive oil-producing country, reported 1982 sales of Pta 25bn. Some 80 per cent of its business is derived from olive oil but it also has interests in the local Cordoba sherrified wines, and edible seeds.

Since the beginning of the year Carbonell and Banco Hispano Americano had been understood to be in talks with Unilever, and the takeover by *the French multinational took* the market by surprise.

Last month Lesieur attempted unsuccessfully, to gain a majority shareholding in Koipe. The Carbonell deal now puts the French multinational in a commanding position in the Spanish oil sector and it can be expected to consolidate its holding with fresh offers to the Koipe shareholders.

Paul Betts writes from Paris: *Lesieur has also had a growing* dispute with Koipe over the policies and management adopted by the Spanish company. In an attempt to resolve the dispute an extraordinary meeting of Koipe shareholders is to take place on June 16.

Lesieur claims that Koipe is being badly managed and is not following the strategic guidelines discussed between the two groups when Koipe and Lesieur teamed up. Since the autumn of last year, Koipe's executive committee had not followed the recommendations of Lesieur executives not to introduce price-cutting at the expense of profitability, market*ing and product image.*

Moreover, Koipe has sought to get its return on profits as quickly as possible because of its lack of adequate capital funds without looking at the longer term, the French company argues.

However, M Brignac, Lesieur's chairman, said last month that Lesieur did not want to take control of Koipe and that it had decided to invest FFr 150m ($18m) in the Spanish group to reinforce its capital structure.

The Spanish company accounted for 26 per cent of the French group's net earnings in 1982. But in 1983, the contribution fell to 14 per cent.

Lesieur, in which both the Lesieur family and the French state-owned Banque Nationale de Paris have significant shareholdings, saw its net earnings rise to FF(r 142m last year, from FFr 118m in 1982.

Before write-offs concerning some recent exceptional operations, group profits rose 27 per cent to FFr 150m last year, compared with the year before. Sales climbed 12 per cent to FFr 7.7bn.

Baloise move to shed U.S. stake

BY JOHN WICKS IN ZURICH

BALOISE HOLDING, the Swiss insurance group, is negotiating for the re-sale to Fireman's Fund, the insurance subsidiary of American Express, of a minority shareholding in San Francisco Reinsurance.

The San Francisco company was set up by Fireman's Fund, one of the largest property and casualty insurers in the U.S., in 1982, and 42.5 per cent of its capital was sold to a number of European insurers, including Baloise.

Although neither the exact Baloise stake nor the proposed sale price has been disclosed, the Swiss company believes the strengthening of the dollar will offset any loss in the sale back to Fireman's Fund.

The Baloise decision would seem to reflect the continuing underwriting losses being sustained by companies active in the reinsurance sector. This is underlined by the fact that Baloise is now looking for a new U.S. investment—in direct insurance. It already owns Baloise of America, a small New York company active in transport insurance.

● Kuoni, the Swiss-owned travel agency group, reports record results for 1983.

Parent-company net profits climbed by 76 per cent to SwFr 6m ($2.6m). The board proposes to increase the dividends to SwFr 17 per registered share and SwFr 170 per bearer share from the SwFr 14 and SwFr 140 paid for 1982.

Group turnover rose by 4.3 per cent to SwFr 1.1bn, of which, SwFr 451m came from outside Switzerland.

The group's major shareholders are Swissaid and the Swiss foundation, Kuoni-und-Hugentobler-Stiftung.

Mr Jack Bolli, Kuoni's chairman, expects a 6 per cent rise in Swiss turnover this year—with a 7 per cent increase in other European countries and a 22 per cent growth in other parts of the world. The most successful subsidiary this year so far is said to be Kuoni Travel in the UK, a specialist in long-distance travel.

Strong advance by Perstorp

By David Brown in Stockholm

PERSTORP, the Swedish chemicals group, increased pre-tax profits by 30 per cent to SKr 221m ($28m) for the first eight months of its 1983-84 business year.

Earnings are forecast to advance by between 20 and 30 per cent for the full year from the SKr 257m achieved in 1982-83.

Group sales in the eight months advanced by 17 per cent to SKr 2bn, but the increase in costs more than kept pace and the operating result after depreciation was ahead by only 14 per cent to SKr 233m.

U.S. QUARTERLIES

HOUSTON NATURAL GAS
Diversified energy group

Third quarter	1983-4 $	1982-3 $
Revenue	467.5m	548.1m
Net profits	43m	47.8m
Net per share	1.15	1.17
Nine months		
Revenue	1.69bn	1.76bn
Net profits	132.9m	164.2m
Net per share	3.33	4.02

INTL. COMPANIES & FINANCE

Record group sales and earnings for Hitachi

BY YOKO SHIBATA IN TOKYO

HITACHI achieved record group sales and net profits for the sixth consecutive time in the year to March. Sales advanced by 11 per cent to Y4,367bn ($18.8bn) and net profits rose by 11 per cent to Y187.1bn.

Sales by the electronics division rose by 29 per cent to account for 27 per cent of the total with sales of semi-conductors ahead by 45 per cent, and sales in the computer sector up by 22 per cent.

Hitachi sold 2.5m video cassette recorders (VCRs) in the year, a rise of 78 per cent, which pushed up sales by the consumer electronics sector by 11 per cent to account for 21 per cent of the total. Sales by the power systems and equipment sector were only 3 per cent higher, accounting for 17 per cent of turnover, having been affected by sluggish capital spending by utility companies and dull export sales.

Overseas sales, centring on VCRs and electronic products rose by 14 per cent to account for 28 per cent of the total.

Operating profits were only 5.9 per cent higher as a result of an increase in the cost-to-sales ratio of 0.5 percentage points to 73.5 per cent. But this was more than offset by a Y11bn rise in net interest and dividend income and higher revenue from affiliated companies.

In order to meet rising demand for rapid-growth products such as integrated circuits and VCRs, the company lifted capital outlays for plant and equipment to Y381.6bn in the year. Research and development expenditure rose to Y211.7bn, equal to 5 per cent of consolidated sales.

For the current year Hitachi has projected consolidated sales of Y4,720bn, up 8.1 per cent, and net profits of Y180bn up by 7.7 per cent.

Japanese corporate bankruptcies up again

TOKYO — Japanese corporate bankruptcies hit a new post-war record in May, only two months after the previous worst level.

Teikoku Data Bank, a private credit research company, set the number of bankruptcies at 1.966 with liabilities totalling Y274.9bn ($1.2bn), second only to the worst May record of debts of Y352.9bn recorded in 1977.

The number of bankruptcies was up 24.5 per cent over May 1983, with total liabilities up 17.8 per cent.

Teikoku said failures were concentrated among small and medium-sized companies, especially in the housing, textiles, and foodstuffs areas which have been hard hit by continued depressed consumer spending.

● Direct overseas investment by Japanese companies rose by 5.8 per cent to $8.15bn in the year to March 31 from $7.70bn in 1982-83. Investment in North America fell by 7 per cent to $2.70bn but investment in Central and Latin America rose by 25 per cent to $1.88bn. Asian investment by 33.5 per cent to $1.85bn, European investment by 13 per cent to $990m and Middle East investment by 41.1 per cent to $175m.

Agencies

Nikko Securities well ahead

BY TERRY POVEY

NIKKO SECURITIES, one of Japan's four leading brokers, has announced more than doubled parent company net profits of Y17.82bn ($77m) for the six months to March. According to Mr Toshiaki Kimura, Nikko's executive vice-president, "the interim results reflect a period of transition for the company the full benefits of which will come through at a later date."

At the interim stage revenues were up 47.6 per cent at Y123.5bn—of which Y83.8bn came from commissions and Y21.4bn from own-account trading. Also last week, Nikko issued a two-tranche $60m convertible bond on the Euromarket. "We aim to use the $60m to increase our financing power in order to regain our position in the personal investment market, to strengthen our corporate advice, and to try to collect more funds for our fund management business," said Mr Kimura.

On the outlook for the stock market for the current year, Mr Kimura believes that prices will rally through July, weaken somewhat in October when the settlement date for the presently very high level of margin trading comes, but will pick up again as the year comes to an end.

He forecasts that the Nikkei Dow-Jones Index will not rise much above the 11,000 level but will remain above the 10,000 mark.

Date set for Simex financial futures trading

BY CHRIS SHERWELL IN SINGAPORE

THE SINGAPORE International Monetary Exchange (Simex) will start trading in four financial futures contracts on September 5 regardless of whether or not the U.S. authorities approve its proposed "mutual offset" link with the Chicago Mercantile Exchange.

An announcement yesterday after the exchange's annual general meeting said trading in the new gold futures contract would start even sooner. The statement appeared designed to dispel once and for all a growing number of uncertainties over both a start-up date and the exchange's operations.

Originally Simex was to open on May 2, but the lengthy U.S. approval process has brought embarrassing delays.

Now, according to Mr Ng Kok Song, chairman of Simex and a senior Singapore banking official:

● The September 5 date will give the Commodity Futures Trading Commission, the U.S. regulatory authority, time to scrutinise and approve Singapore's novel link with Chicago. The link allows open positions on one exchange to be offset with opposition positions on the other, and opens the way to global futures trading.

● A deutschemark / dollar foreign currency contract will be added to the yen/dollar contract, the three-month Eurodollar interest rate contract and gold futures contract which were originally proposed. Deutschemark trading volumes have increased recently, Mr Ng said, and both traders and the exchange would benefit from such a contract.

● Trading in a new gold futures contract will begin on the new Simex floor on July 5, but the terms of the contract will eventually need "fine tuning" to align it with a changed Chicago contract. The Singapore International Gold Contract replaces the old Gold Exchange of Singapore contract, in which trading has died recently. Delivery will be in London, through members or associate members of the London gold market in order not to be subject to value added tax.

Mr Ng said Simex could be "reasonably confident" that the CFTC would approve the Singapore-Chicago link. The failure of the two exchanges to submit their finalised agreement—due "very soon"—was only one factor which had delayed approval. A September start-up had the additional advantage of allowing an opening after the North American and European summer holiday period.

UK COMPANY NEWS

Amersham surges 22% to £13.73m

RECORD SALES and profits were achieved by **Amersham International** over the 12 months ended March 31, 1984 and *further progress is expected* in the current year.

At the pre-tax level profits surged from an adjusted £11.21m to £13.73m, an improvement of 22 per cent, on the back of a 20 per cent rise in turnover to £87.58m (£73.29m).

All business sectors and regions achieved increased sales—the group is engaged in the development and manufacture of radioactive and related materials for use in medicine, research and industry.

Research products performed "exceptionally" well and increased operating profits by £2.6m.

Earnings for the year rose by 2.1p to 16.4p and a final dividend of 3.1p (2.55p) lifts the total payout from 4.2p to 5p net per 25p share.

The directors, headed by chairman Sir John Hill, say that more new products were added to the range of research activities than ever before and that in medical products, turnover continued to grow in both in-vitro and in-vivo applications in the face of stiff competition.

They add that industrial products were slower to recover from the recession than expected but with clear signs towards the end of the year of restocking by industrial customers sales were increasing strongly.

Geographically, sales growth accelerated in Japan and the Pacific Basin and growth was maintained in the North American market and Western Europe.

In a statement following the results Dr Stuart Burgess, chief executive, said Amersham would start marketing new enhanced luminescence non-radioactive diagnostic kits next year on a world wide basis.

Sales of the system would be going to hospitals, laboratories and other medical practices.

Dr Burgess commented that this represents "a significant advance in accuracy and convenience for non-radioactive diagnosis."

The product can be used for diagnosing anything from problems in pregnancy to cancer and kidney complaints.

However, Dr Burgess made it clear that radioactive products were going to remain a very large proportion of Amersham for many years to come. He said: "We are responding to the changes in the market place with our product line getting broader and broader by offering non-radioactive products to complement our radioactive ones."

A breakdown of group turnover and operating profits (£16.68m, against £13.8m pre-interest charges and overhead costs) shows: medical products £42.07m (£36.06m) and £5.94m (£6.12m), research products £31.45m (£25.5m) and £8.11m (£5.51m) and industrial products £14.07m (£11.73m) and £2.63m (£2.16m).

A geographical analysis of turnover shows: UK £13.69m

Sir John Hill, chairman of Amersham

(£12.04m), rest of Europe £30.2m (£26.57m), the Americas £24.97m *(£20.66m), Asia and Australasia* £17.18m (£12.7m) and Africa £1.54m (£1.31m).

Operating profits as a proportion of sales advanced slightly as production efficiency was improved.

Profits from research and industrial products reflected the increase in sales while those from medical products were affected by a substantial increase in expenditure on research and development.

Overall, group expenditure on research and development increased to £7.5m, representing 8.6 per cent of turnover.

Dr Burgess pointed out that research and development costs were set to increase again this year to around 10 per cent.

Spending at present on R and D for non-radioactive products is reckoned to total around £3m.

More company news on Page 20

The group's results were very much in line with boardroom expectations. Dr Burgess predicted that in future profits would grow "more in line with sales."

Tax for the past year took £4.66m (£3.11m). The rise, from some 28 per cent to 34 per cent, reflected slightly increased earnings overseas and the absence last year of capital allowances on earlier losses.

Minorities accounted for £873,000 (£934,000) to leave *available profits at £8.19m* (£7.17m).

Monthly average exchange rates were adopted for translating overseas trading results. As year-end exchange rates were used previously, comparative figures for 1982-83 have been adjusted.

Exchange rate movements boosted group sales by some £3m in 1983-84 and profits by around £500,000.

See Lex

More profit and dividend at Mansfield Brewery

WITH PROFITS showing a rise of £520,000 to £8.48m for the year ended March 31 1984, **Mansfield Brewery** is lifting its dividend from 6.75p to 8p net with a final of 5.75p.

After tax of £3.22m (£1.97m) including a deferred provision of £2m this time, the year's net profit comes out at £5.26m (£5.99m). This gives earnings of 33.8p (38.6p) per share. The deferred tax provision has reduced this year's earnings by 12.9p.

Total tax charge for the year has been reduced by £800,000 (£2.3m) as a result of timing differences arising principally from capital allowances, which are expected to continue for the foreseeable future. A further reduction of £180,000 (£160,000) comes from stock relief for the year.

Turnover for the year totalled £68.24m (£62m) from which a *gross profit of £19.02m (£16.42m)* was earned. Operating expenses accounted for £10.07m (£8.02m), finance charges £526,000 (£314,000) and deficit on property disposals £24,000 (£177,000).

There is an extraordinary credit of £530,000 on the sale of the Old Eclipse in Mansfield town centre. Redevelopment of that shopping area created a property value for the Old Eclipse "beyond its trading potential." The profit on sale, after tax, has *been treated as extraordinary* because the decision to dispose of the property was based on development potential rather than on normal trading criteria.

● comment

Mansfield Brewery has turned in a solid set of results, based firmly on strong local popularity its beers have in the East Midlands. Beer sales were up last year in volume terms, with the second half more than making up for disappointment earlier in the year. The impact of the miners' dispute is difficult to judge, but the company admits that there has been a fairly small decline in sales to mining communities. Certainly, a prolonged strike would have a depressing effect on the current year though the impact would be reduced by the fact that sales are spread over a relatively wide area for a regional brewer. It is clear that it is working hard to increase packaged beer sales, spending more on distribution to off-licences, to cater for the growing number of people who drink at home instead of at the pub. The soft drinks business operates and the big supermarkets who are the major customers. In the current year Mansfield should move on to £9m pre-tax, putting the shares, unchanged at 349p, on an undemanding prospective p/e of about 9, assuming a 35 per cent tax charge.

Pactrol makes £0.43m but warns of fall in first half

FOR THE year ended March 31, 1984, **Pactrol Electronics** turned in pre-tax profits of £429,000, compared with £461,000 for the previous 15 months period which principally comprised the results of 12 months trading. Turnover rose from £1.94m to £2.09m.

The directors warn that sales and profits in the first half of the current year are expected to be significantly below those of last year's corresponding period.

However, a recovery in sales of electrical products is anticipated during the second half which, coupled with increased sales of gas controls, should result in sales for the year as a whole exceeding those now reported.

The directors report that pressure on local authority spending severely reduced sales of electrical products in the normally buoyant final quarter. Sales of these products are not expected to recover before the autumn.

Sales of automatic gas ignition systems have been increasing and the company has recently been awarded a contract to supply controls for one of the top selling central heating boilers in the UK.

A small process computer business acquired in March, is already making a useful contribution to sales and longer term prospects for this division are encouraging, the directors state.

A final dividend of 3p is recommended making a total of 5p net for the year, compared to 4.5p in the previous 15 months. Earnings per 25p share were up from 16.76p to 18.37p.

Gross profits for the 12 months came out at £827,000 (same for 15 months). *Pre-tax results* included investment income of £53,000 (£44,000), but were after charging operating expenses of £451,000 (£408,000) and £2,000 in 1982-83 for interest and similar charges.

Tax took £135,000 (£201,000) and after extraordinary debits of £10,000 (£2,000 credits) relating to costs arising from acquisition activities, net available profits were £284,000 (£262,000). Dividends absorb *£80,000 (£59,000).*

● comment

The local authority electrical heating orders which normally account for almost half of **Pactrol's** annual sales simply failed to emerge in the autumn, with the result that second half profits were down 37 per cent on the comparable period. At worst, those contracts have merely been delayed for a couple of years, yet the experience underlines Pactrol's need to broaden its diet. To that end, the company's long awaited breakthrough in automatic gas ignition controls at last shows signs of taking place, following a major domestic boiler order which could add about £100,000 to annual *profits for the next* five years. Pactrol controls some 80 per cent of the UK automatic gas ignition market, so it is well placed to serve other gas appliance manufacturers waiting for that particular bandwagon to start rolling. Meanwhile, the £100,000 purchase of a process computer business is intended to form the nucleus of a new process control division. The decline in the share price from 485p towards the end of last year to 200p, up 10p, yesterday means major paper acquisitions must be unlikely for the time being. Instead, Pactrol will be using its £608,000 net cash for new product development and small cash purchases. At yesterday's price, Pactrol is valued at £3.2m, and the historic multiple comes down to 10.6 on stated earnings.

Pericom's 83% halftime growth

GROWTH HAS continued at a rapid pace for **Pericom** in the half year ended March 31 1984, with pre-tax profits showing a rise from £319,000 to £585,000. An interim dividend of 0.7p net is declared. However, the percentage growth rate reported (38 per cent) may not be reflected over the full year.

Pericom makes VDUs, graphics display terminals and microcomputers, and distributes computer printers and operates servicing and maintenance. It was introduced to the USM last December when some 21 per cent of its capital was placed, at 140p per share.

The directors say they are giving emphasis to strengthening the position in the market by further increasing the customer base and by extending the range of products and services. Several new products have recently been introduced to the existing range, while the extensive research and development programme is expected to result in the release of a major new series later in the year.

Turnover in the half year expanded by £1m to £3.97m. Efforts to lift the customer base has been successful. Microcomputers are being installed in offices of the Property Services Agency and all regional health authorities, while graphics products are fast gaining acceptance in the educational and scientific field.

In the year ended September 30 1983 the company showed exceptional growth in profits from £291,000 to nearly £1m, but, the directors point out, the second half included a bunching of microcomputer orders

The move to new premises in Milton Keynes has been completed with no significant loss of production.

BL prepares for £250m Jaguar sale

BL is set to float off its luxury car subsidiary **Jaguar** next month with a market capitalisation probably in excess of £250m.

BL shareholders will soon be getting a *first class circular* informing them of some of the details of the flotation and announcing the date of an extraordinary general meeting at which BL will seek approval

The Government announced on May 22 that BL will retain no shareholding link with Jaguar, but for political reasons, the Government will retain a "golden share," enabling it to block a foreign takeover.

Hill Samuel is advising BL on the flotation. Rowe & Pitman are brokers to BL and Cazenove are brokers to Jaguar.

Exco £1m for broking offshoot

Exco International, the money broker and financial services group, is to use £1m of proceeds from a recent rights issue to capitalise **WICO Galloway & Pearson**, the group's proposed new stockbroking company, shareholders were told yesterday.

At the AGM Mr Hilton S. Clarke, the 75-year old chairman who announced his retirement at the end of yesterday's proceedings, told shareholders that he was "not yet able to comment on the use of the remaining £43m of the rights issue proceeds, although your board believes there are very attractive possibilities still available in the fast-changing financial services area.

"We have no intention of rushing into acquisitions outside our present area of strength and expertise but the balance of funds available to the board puts it into a strong position to seek out suitable opportunities."

Exco raised £68.3m from shareholders in March through a rights issue. Mr Clarke said that its purchase of all the remaining *minority shareholdings in* W. I. Carr, Sons (Overseas) Holdings, the group's Far East stockbroking operations, had been completed in May using approximately £8m of the March rights issue proceeds.

A further £16m was used to subscribe for the group's 55 per cent shareholding in London Forfaiting "which takes Exco into a new and exciting area of financial services."

Mr Clarke said: "On the basis of unaudited management accounts up to April 30 1984 I can say with great confidence that shareholders should not be disappointed by the results for the first half of 1984.

"Renewed volatility in interest and foreign exchange rates has resulted in an increased demand for our services from our money broking clients. I am pleased to report that the management and staff of our money broking division have worked extremely hard to meet this demand and produced results considerably ahead of those which they were able to bring forth for the equivalent period in the quieter market conditions which prevailed through much of 1983."

He said that the levels of profitability at WICO and Gartmore were well ahead for the comparable period of 1983.

Telerate, the information service in which Exco has a holding *of 51.7 per cent, continued to* produce excellent results. Pre-tax profits, he said, for the six months ending March 31 1984 advanced 69 per cent to $22.65m from $15.18m in the same period of the previous year.

He continued: "We have no reason to believe that rumoured impending competition will have any impact on Telerate's profitability in the foreseeable future."

During shareholders questions it was revealed that Telerate has $80m in cash and is looking for "the right kind of acquisitions."

Exco is looking at a large range of possible acquisitions but indicated that it has no plans to enter into market making as part of its thrust into the British securities market.

Mr Clarke is succeeded as chairman of the group by Mr John Sangster, who has been deputy chairman since February 1983. Mr Sangster was with the Bank of England from 1949 to 1982 and at the time of his appointment was assistant director in charge of gold and foreign exchange.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Amersham Intl.	3.1	Aug. 6	2.55	5	4.2
Caffyns	2.3	July 25	2.3	4.5	4.5
Gresham House 2nd int	2.6	—	2.6	4	4
Mansfield Brewery	5.75	—	4.65	8	6.75
Pactrol Electronics	3	—	3	5	4.5¶
Pericom int	0.7	July 20	—	—	—
Wyndham Eng.	1.5	—	1	1.5	1

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 15 months.

Hill Samuel South Africa profits rise

Hill Samuel, the South African merchant bank which is 71.5 per cent owned by the **Hill Samuel Group**, increased pre-tax profits from R4.56m (£2.54m) to R4.67m in the year ended March 31, 1984. After tax and preference dividends, profits attributable to ordinary holders rose slightly from R3.51m to R3.57m.

Mr Richard Crick, the managing director, says that fee and commission earning activities remained the major profit contributors and that profits were bolstered by "surprisingly buoyant" corporate demand for credit. Against this, profits from foreign exchange and domestic money trading activities fell short of projections.

Mr Crick is cautious on prospects for the current year. He fears that interest rates will remain high and that the eventual upturn in the South African economy may be delayed until 1985. Once interest rates decline and economic conditions improve, he expects the company's profits to grow significantly.

The total dividend is unchanged at 31.5 cents, while earnings per share increased from 52.2 cents to 53.1 cents. The board says it is intended gradu*ally to increase the level of pro*fit retention.

● In the **Hill Samuel Group's** annual report and accounts, Sir Robert Clark, the chairman, says the group is planning shortly to increase the capital available to its merchant bank subsidiary by £15m. This will provide finance for the recently announced acquisition of a Singapore-based merchant bank and for growth in selected lending, trade financing and treasury activities.

Wyndham pays 1.5p

Steel fabricator and general machinist **Wyndham Engineering** continued its progress in the year ended March 31 1984, and finished with a profit of £92,000, compared to a loss of £37,000. The dividend is raised from 1p to 1.5p net.

The upturn in engineering orders continued and the order book moved up to a record level. Several new products are being studied which would gie further expansion into new manufacturing and service areas; and investment income exceeds £70,000 annually. With the benefits of all that has been undertaken in the past year, this would indicate "a period of sustained growth" for the company, the directors claim.

Net assets have more than trebled and at the year end are expected to be more than £1m.

Edinburgh Trust

Edinburgh Financial Trust has purchased and redeemed £820,000 of its 13¾% debenture stock 2003.

COMPANY NEWS IN BRIEF

Caffyns, the South of England BL motor vehicle dealer, has pushed up its profit from £34,000 to £614,000 in the year ended March 31 1984, including £405,000 (£188,000) surplus on property disposals arising on branch rationalisation. The final dividend is 2.3p to maintain the net total at 4.5p.

Turnover rose to £90.1m (£72.61m) and gross profit to £10.88m (£9.78m), while the operating surplus was £1.82m (£1.23m) subject to interest charges £1.2m (£1.19m). Tax takes £101,000 (£142,000) to leave the net profit at £513,000 against a loss of £108,000. Extraordinary credits come to £76,000 (£327,000).

At May 31 1984 properties were revalued on an existing used basis and disclosed a surplus of £4.5m.

* * *

The directors of **J. Smart & Co (Contractors)** have declared an unchanged interim dividend of 1.1p in respect of the year ending July 31, and announced their intention of holding the final at 2.85p, "subject only to unforeseen circumstances."

They estimate that group taxable profit for the current year will not be less than £840,000, against £828,950, and will comprise trading profit up from £700,104 to £745,500 and profit on the sale of investments at £94,500, down from £128,846.

Turnover in the current year will be approximately 10 per *cent short of the £17.78m* reported last time. They add that a reasonable level of house sales has been achieved, indus-

More briefs on Page 20

trial units completed during the year have all been satisfactorily let, but highly competitive conditions continue to prevail on the contracting side.

* * *

NET ASSET value per 25p capital share of **New Throgmorton Trust (1983)** was 81.7p at the end of March, 1984, and improved to 83.5p at April 30.

In the 49 weeks to end March, gross revenue came to £1.82m and after expenses and interest, the pre-tax figure was £1.33m. Tax took £402,000 and earnings per 25p share were 2.36p.

A final dividend of 1.25p makes a total for the 49 weeks period of 2.25p net.

* * *

Following a fall in pre-tax profitsf rom £577,000 to £369,000 in the year to March 31 1984, **GT Global Recovery Investment Trust** is cutting its final dividend by 1.5p to 1.25p net, for a total of 2p per £1 share, against 3.5p previously.

In the last annual report, Mr *W. T. J. Griffin, the chairman,* said he could give no guarantee that the dividend would be maintained in 1983-84. The directors believed it right to encourage managers to concentrate on companies more likely to produce capital growth where the policy would maximise the total return from investment over the longer term.

At the end of March 1984, net asset value per £1 share had edged ahead to 116.5p, against 115.7p a year earlier.

Earnings per share dropped from 3.45p to 2.08p, after tax of £160,000 (£232,000). Investment income was higher at £790,000 (£719,000), but other income slipped from £1.03m to £0.95m.

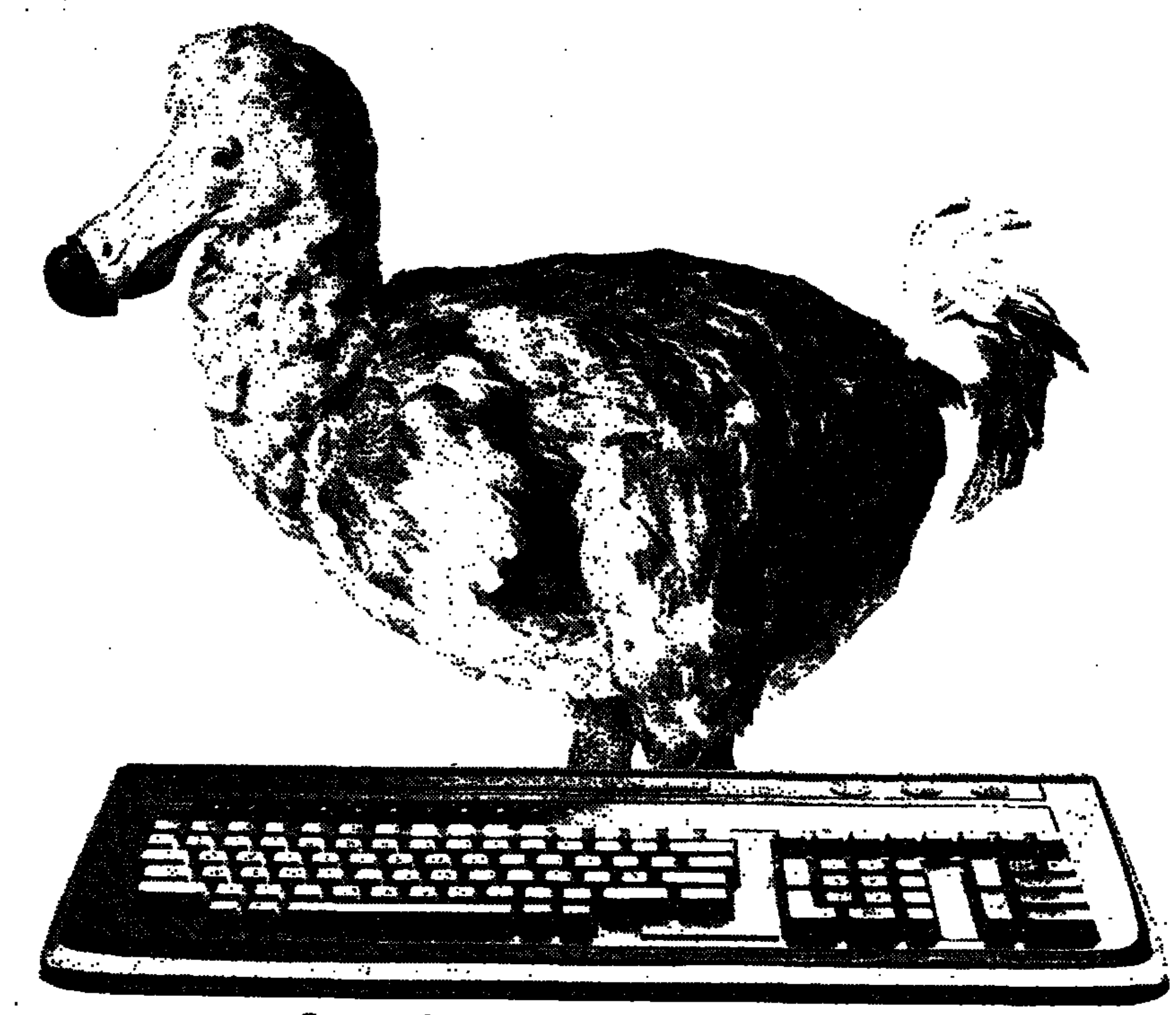
* * *

Keystone Investment Co. increased revenue from £408,282 to £528,937 in the six months to April 30 1984, before charging tax of £182,119, against £115,595. Gross income rose by £91,735 to £632,524.

The net interim dividend is effectively raised from 3.636p to 4p per 50p share—last year's final was 6p.

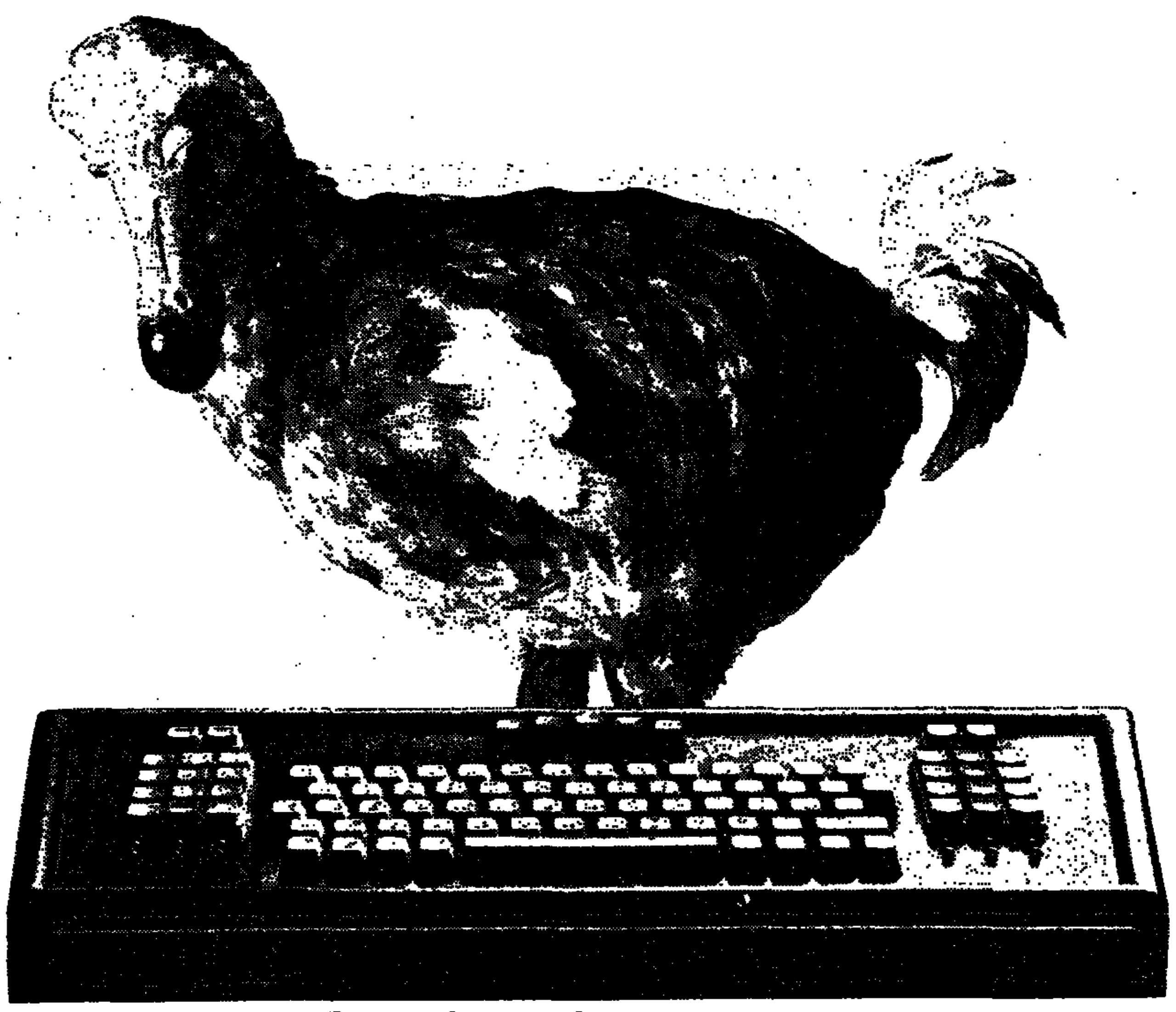
Net asset value per share advanced in the year from an adjusted 331p to 405p.

HOW TO RECOGNISE AN ENDANGERED SPECIES.

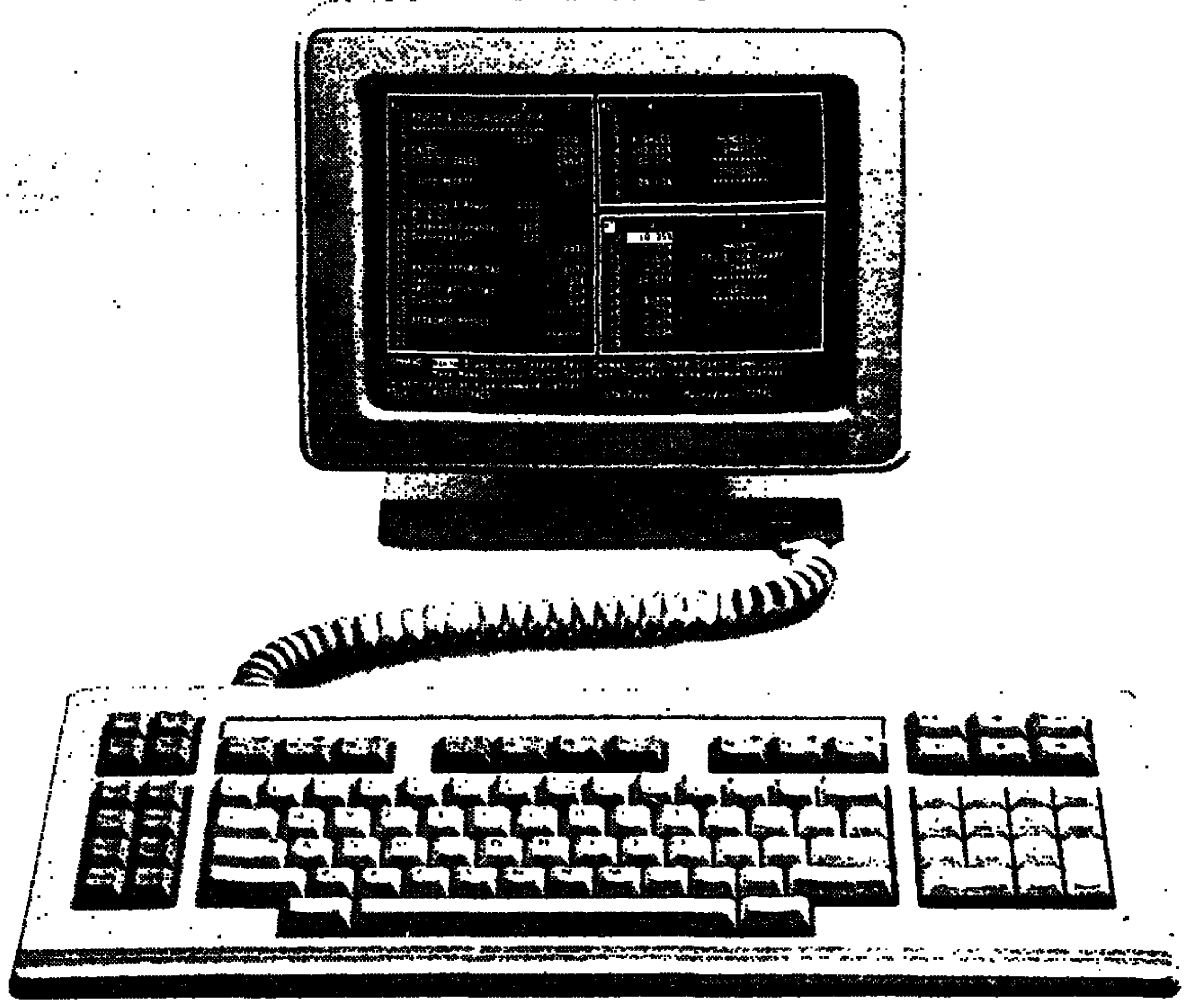


Some micro-computers can't offer specific software for your business.

Some micros can't cluster work stations, run concurrent applications or link into a mainframe.



Some micros can't grow as you grow.



Some micros aren't the new Burroughs B25.

Of course, the PC or micro might not look exactly like the Dodo, but an endangered species it is.

Its footprint is too big for a desk. Our B25's footprint is 9" by 7". (So you can use your computer and your desk.)

It can't easily grow or change. Ours can change from a two floppy disks PC to a powerful multi-user business system.

It can't cluster work stations. Ours can cluster up to six and run concurrent applications.

It can't use all the software you need. Ours can use BTOS, MS-DOS, CPM-86 and BOS. Most of all, it can't offer the support and service which has seen Burroughs grow to No. 2 in the world.

Friendly 'help screens' which hold your hand and take you through the system. Consultants who understand your business and its needs for the simple reason that they've actually been recruited from your industry or service.

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One of our 1000 service people will be with you, often inside 24 hours. In some cases, our computer will talk to your computer over the 'phone and they'll sort out the problem between them.

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No Dodos will call.

To: Brian Reynolds, Burroughs Machines Limited, Heathrow House, Bath Road, Hounslow TW5 9QL. Telephone 01-750 1281.

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Burroughs

FT12/6

THE NEW B25 MICRO BUSINESS COMPUTER FROM BURROUGHS.

UK COMPANY NEWS

Change of direction lifts profits at Sheraton Securities

LAST YEAR'S management changes, together with a shift of emphasis from property investment to property development, have resulted in a "successful year's trading' for USM-quoted **Sheraton Securities International.**

In the year to March 31 1984 the company achieved a sizeable increase in taxable profit, up from £76,000 to £575,000, with the improvement coming in the second half. At the midway mark a pre-tax surplus of £6,000 (£41,000) was reported.

The company has been precluded from paying dividends until such time as the group's losses have been extinguished, but they now say that they will be able to recommend a payment next year.

Gross rental income in the year rose from £493,000 to £559,000, property management fees from £121,000 to £325,000, net property income from £364,000 to £452,000, and profit on property sales from £35,000 to £285,000.

Interest charges were down by £4,000 to £317,000, and profits from related companies showed a turnround of £157,000 to reach a surplus of £155,000. The tax charge was £55,000 against a £14,000 credit, and there was an extraordinary charge of £44,000 last time. Earnings per share emerged at 1p (0.2p) basic, and 0.9p (0.2p) fully diluted.

The cost of the company's development schemes now exceeds £50m and the board anticipates substantial profits from the various projects being realised over the next two years. As a result of the cyclical nature of the company's programme the bulk of these earnings will fall in the year to March 1986. Nevertheless, the directors look forward to a substantial growth in profits for the current period.

They say that the improved rental income, together with property management fees and profits from the sales of properties have combined to produce results which reflect the change of policy and "represent a considerable achievement," especially over the past six months.

The proceeds from last year's rights issue have been used to broaden the development programe both in the UK and the U.S.

In the UK this includes the acquisition of land for the erection of a large industrial centre at Sunbury, the refurbishment of a Central London office building in the West End, an office development in Brighton and a major high-technology complex at Crawley.

In addition new developments are underway at Sunbury, Swindon and Cambridge, and negotiations are advanced in respect of a new 100 acre business park in Bristol.

In Florida, the company is building or about to commence construction in four locations and is committed to two other developments.

COMPANY NEWS IN BRIEF

BP Oil Group, the UK and Eire marketing and refining arm of the **British Petroleum Company**, made a profit of £9m—on a replacement cost basis—for the first three months of 1984, compared with a break-even situation for the same period last year.

Mr Ian Walker, managing director and chief executive, says the results are satisfactory. He warns, however, of reduced margins in the second quarter, due mainly to the fall in the value of the pound and continued intense competition in the retail market.

Sales and operating revenue for the first three months rose from £995m to £1.04bn. Customs duty and VAT took £264m (£269m) leaving income generated of £776m (£726m). Replacement cost of sales accounted for £702m (£661m) and distribution and administration expenses £65m (same).

* * *

LOWER PROFITS of £327,000 against £537,000 have been shown after tax by **Gresham House** for 1983. There was a credit of £58,000 for tax this time against a previous debit of £5,000.

A second interim dividend of 2.6p net (same) has been recommended which holds the total at 4p. Earnings per 25p share were given as 9.8p (9.2p).

Dividend and interest income came to £90,000 (£591,000) and rental income to £729,000 (£714,000). Subsidiary income fell from £364,000 to £94,000 — at the halfway stage the directors had said that reduced profits resulted from a loss in a partly-owned subsidiary which they expected to return to profit in the current year.

Group administration expenses moved up from £827,000 to £1.14m. There were exceptional debits last time of £300,000.

* * *

Cramphorn is proposing to sub-divide each ordinary share of £1 into two ordinary of 50p each and make a two-for-one capitalisation issue to shareholders on the register at the close of business on July 13. The proposal will be put to members at an EGM on July 3.

Following the sub-division and capitalisation there will be 1,445,400 ordinary 50p shares in issue and 454,600 (24 per cent) unissued shares. Cramphorn shares are traded on the USM.

* * *

Net asset value of **Winterbottom Energy Trust** on June 8 was 105p after the deduction of prior charges at par, and 107.8p after such charges at market value.

BIDS AND DEALS

SDI expands consultancy activities in £10m deal

BY RAY MAUGHAN

Systems Designers International, the computer software group *capitalised at £47m*, is paying £10m for **Systems Programming Holdings.**

The acquisition will give SDI a significant addition to its consultancy staff and sales from which it expects to product substantially higher net margins and return on capital. The deal is being financed by a vendor rights issue to SDI shareholders.

The mechanism whereby existing shareholders are offered a pre-emptive entitlement to shares in a placing has been pioneered first by Computer and Systems Engineering and latterly by Granada Group but SDI has synthesised the process by giving its shareholders rights which can be sold for value.

SDH was set up in 1963 and acquired seven years later by Simon Engineering, the process engineering and contracting group. It was sold in 1977 jointly to the National Enterprise Board and Western Broadcasting, incorporated in Canada, which las year bought out the NEB' residual stake.

Western Broadcasting will receive and retain 533,334 of the 2.92m consideration shares issued by SDI. That will give Western a 3.4 per cent holding in the enlarged equity. The balance will be sold to Samuel Montagu, the merchant bank advising SDI, which, in turn, will be renounced by the bank and offered by the bank as principal to SDI shareholders at 355p per share.

The financing agreement incorporates a share split from 10p to 5p par value and will be accompanied by a further rights issue of 630,571 ordinary SDI shares which will raise £1.6m net.

In total, SDI is issuing 3.02m shares to existing shareholders on a one-for-four basis at 355p.

The SDI share price, before the share split, was unchanged yesterday at 780p. Dealings in the new shares, in nil paid form, are expected to start on July 2 for cash settlement.

Growing at a compound annual rate of 45 per cent over the last six years, SDI produced *profits of £1.55m in 1983* on turnover of £13.9m. It had 408 consultancy staff at the year end, now 450, and produced earnings of 6.2p per share after a notional 50 per cent tax charge.

Its new acquisition employs 350 consultancy staff and turned over £11.2m last year from which profits, excluding the impact of an insurance recovery, amounted to £560,000. SDI is determined that the 81 per cent lift in turnover produced by the acquisition can be translated to profits, which would have risen, on a pro forma basis, by 36 per cent last year through strict financial controls and improved marketing throughout SDH.

SPH is carrying tax losses of about £2.5m.

The deal is also accompanied by an earn-out formula whereby for every £1 that merged profits this year exceed £3.2m the vendor will receive £4. The threshold is not taken as a guide to this year's profits outlook, SDI stresses, and although the deferred consideration i ssubject to a ceiling of £5m, it is understood that the trigger point has been set so high that the formula is unlikely to be activated.

SPH was in loss between 1980 and 1982 inclusively and showed *net worth of £1.43m at* December 31, 1983. Specialising in information systems, industrial systems, communications and advanced software technology, the group sells about 46 per cent of its output overseas, notably through its permanent offices in Belgium, Holland, Italy and Sweden.

LLT receivers to retain 25% holding in computer subsidiary

BY ALEXANDER NICOLL

THE RECEIVERS of the ill-fated **London and Liverpool Trust** (LLT), in an unusual move, plan to retain a 25 per cent equity stake in one of London and Liverpool's computer subsidiaries, while selling the remainder to its management.

Nicholas Lyle of Thornton Baker, appointed as receiver by Barclays Bank when London and Liverpool failed last month, said yesterday the arrangement was spurred by the potential of the company, **Guardian Computer Services** of Manchester.

Guardian Computer is a supplier of IBM System 36 and 38 mainframe computer programming, and Mr Lyle said the swift arrangements being made for its future would ensure the maintenance of goodwill as well as the book debt owed by companies to which packages were being provided.

A quick sale was also necessary to retain the skilled staff of the company. "Without the people you've got no business, he said.

The 25 per cent stake, which would give the receivers a strong say in the control of the company, would be retained as an asset of the receivership for disposal in due course. If the potential of the company was realised, the shares might perhaps be placed in an Unlisted Securities Market or other quotation, Mr Lyle, said.

The total consideration for Guardian Computer, which had turnover of £2.2m last year, is between £750,000 and £800,000 and the two managers buying a majority holding are Mr Ken McEntyre and Mr Martin Roskrow.

In normal disposals by receivers, the purchaser would probably not be eager to have the receiver as a fellow shareholder, and in any case the buyer would probably be able to put up more cash, Mr Lyle said.

In this case, an added incentive to the receiver came from the growth potential of a company in which Barclays had effectively invested through its loans to the London and Liverpool Group.

London and Liverpool failed after a disastrous venture into video juke boxes for pubs. It had bank debts of about £7m, the bulk of which was owed to Barclays.

Suter's stake in Raine tops 6%

BY RAY MAUGHAN

Suter, the refrigeration distribution, air conditioning and hairdressing equipment group headed by Mr David Abell, yesterday announced that it had acquired a further 100,000 shares in **Raine Industries** *and now held 1.5m* shares, or 6.2 per cent of the equity. The total purchase price was 21½p against the current market price of 23½p.

Raine is best known for its umbrella frame manufacturing operations but it has expanded significantly into housebuilding and its activities in the sheltered housing industry are understood to be of particular interest to Suter.

Suter also controls a 7 per cent holding in Kennedy Smale, now largely engaged in property, after what the company has described as its "disastrous" merger with the Charles Hill Group and retains a 41.88 per cent interest in Francis Industries after its cash and equity bid lapsed recently.

Mr Sandy Sanders, the retiring chairman of Francis, told shareholders at yesterday's annual meeting that Suter had not formally asked for boardroom representation although it was believed that it may take two places on the Francis board and other changes may be in train.

BIDS AND DEALS IN BRIEF

Hampton Trust has exchanged contracts for the purchase of Costain House, Bracknell, Berks, for £900,000. The property, a freehold office and computer building, is subject to a lease to Richard Costain at a rental of £85,000 per annum on full repairing and insuring terms. The lease is for 25 years. The acquisition will be financed by a 15-year loan of £675,000 and the balance from Hampton's existing resources.

* * *

Acceptances of the offers from **Hawker Siddeley Group** for the shares not already owned in **Carlton Industries** have been received in respect of 7.48m (99.63 per cent) ordinary shares and 252,515 (51.01 per cent) preference. With the shares already owned, Hawker now has 99.89 per cent of Carlton's ordinary.

The offers have been extended until 3 pm on June 21.

* * *

Completion has taken place of the acquisition by a member of **Citicorp's** capital markets group of interests in the **Vickers da Costa** stockbroking group.

Citicorp now controls 29.9 per cent of Vickers' London Stock Exchange business and owns 4.9 per cent voting interest in Vickers' North American business.

The remaining interests in the London Stock Exchange and North American businesses are being retained by the existing employee shareholding of Vickers. Citicorp controls the remainder of Vickers operations worldwide.

At the same time, the Vickers group structure has been reorganised partly to enable the London Stock Exchange business to be transferred to a new operating company—Vickers Da Costa (UK). Vickers Da Costa (UK) has been admitted to the stock exchange from yesterday in place of the present group companies.

* * *

Specialist Services International, a wholly-owned subsidiary of **Inchape**, has reached agreement in principle in the following three transactions:—

The sale of Bix Channel Islands and Bix A.S. together with certain assets of other Bix companies at net asset value to **Omnitest Gesellschaft Fur Qualitatssicherung.**

The sale of Mateval to a new company being formed by one of Mateval's directors, Mr A. Savage.

The subscription of addtional shares in Omnitest Gesellschaft and **Omnitest Werkstoff Labor** to increase its shareholding from 30 per cent to 40 per cent.

The aggregate value of these transactions represents less than one per cent of the net assets of Inchcape.

* * *

THE Rohan Group has won control of 50.23 per cent of **D.A.D. Properties.** The offer, which has become unconditional as to acceptances, wil remain open until at least June 29.

* * *

D and B Investments has received acceptances to its offer for **Datastream** from holders of 12,259,350 ordinary shares (92.2 per cent of existing issued share capital).

At the EGM of Datastream, the special resolution to give effect to a reorganisation of its share capital was duly passed and the allotment of fully paid new ordinary by way of capitalisation of reserves was subsequently made.

All conditions of the offers having been satisfied or waived, the offers have been declared unconditional and remain open for acceptance until further notice.

D and B intends in due course compulsorily to acquire the outstanding shares.

* * *

Maximillian Enterprises says that acceptances in respect of 15,328 ordinary shares have been received in response to its unconditional offer for **Arthur Henriques.** These have been placed.

The offer has now closed. Prior to the offer Maximilian acquired 2,074,336 ordinary shares (approximately 52 per cent) from Mr A. Gold.

Mr M. Lewinsohn has joined the board as deputy chairman and Mr and Mrs A. Gold have resigned as directors.

* * *

On June 7, S. G. Warburg and Co, as an associate of **Mercantile House Holdings**, *bought on* behalf of discretionary investment clients 75,000 ordinary 25p shares of **Jessel, Toynbee and Gillett**, at 91p.

* * *

Burgess Products (Holdings) of Hinckley, Leicestershire, has sold its wholly-owned subsidiary, **Burgess Architectural Products** to **Newship Manufacturing**, of Ripley, Surrey, for £320,000 cash.

Burgess Architectural manufactures steel suspended ceilings, telephone hoods and acoustic panels, and will continue to carry on the same business from its premises in Hinckley. Mr C. B. Cotton has resigned his directorship, but the other directors and employees of Burgess Architectural are to continue in employment.

Net assets of Burgess Architectural at the date of disposal are estimated at £650,000. In the 52 weeks ended July 30 1983, the company incurred a loss before tax of £63,000. Unaudited management accounts show that a further pre-tax loss of £27,000 has been incurred in the nine months ended April 28 1984.

* * *

Cambridge Petroleum Royalties has noted the terms of the unsolicited offer proposed to be made by County Bank on behalf of **Energy Recovery Investment Corporation** (ERIC), a company registered in Luxembourg, for all the issued ordinary share capital of Cambridge. In consultation with its advisers, Barclays Merchant Bank, it considers the terms of the proposed offer to be totally unacceptable, and strongly advises shareholders to take no action.

* * *

W. Tyzack Sons & Turner of Sheffield has agreed to acquire certain of the assets, including plant and machinery, stock and goodwill of the machine knife businesses of **William Makin & Sons** and its subsidiary **Perko Manufacturing Company**, with effect from June 4.

The assets acquired have a net book value of approximately £324,000. These produced an estimated trading profit for Makins of £70,000 in the year to June 30 1982 and an estimated loss of £90,000 in the year to June 30 1983. Perko has made small losses in the last three years' trading.

The consideration of £220,400 has been satisfied by the payment of £150,000 in cash and the allotment of 220,000 ordinary shares of 25p credited as fully paid in W. Tyzack Sons & Turner at 32p per share. Confirmation has been received from the Council of the Stock Exchange for listing of the additional shares with effect from June 6.

MINING NEWS

Placer arranges financing for Queensland gold mine

BY GEORGE MILLING-STANLEY

CANADA'S **Placer Development** has arranged the financing of its big **Kidston Gold Mines** venture in *north-eastern* Queensland, Australia, with Chase Manhattan Asia.

Placer has given the bank a mandate to arrange a US$115m (£82m) project financing facility, which will include provisions for Eurodollar advances, U.S. bankers' acceptances, gold loans and standby letters of credit in support of Australian dollar funding vehicles. Chase said that syndication *among* a small number of banks is expected next month.

The facility will have a target *final maturity of six years, with* a provision to increase that under certain conditions.

Kidston plans to start producing gold in April next year, with initial annual production at a rate of 281,000 ounces, which should make it Australia's biggest gold mine then in operation.

Placer recently sold 20 per cent of Kidston to the Australian group **Elders IXL** for C$22.5m *(£12.5m). This was the first step* towards reducing Placer's interest in the mine to 55 per cent in order to comply with Australia's *foreign investment* guidelines.

A further 25 per cent of the equity will be offered to the Australian public later this year.

Kidston has estimated reserves of 38.5m tonnes at an average grade of 1.77 grammes of gold and 2.11 grammes of silver per tonne.

Canada's **Noranda Mines** holds a stake of about one-third in Placer.

Net loss for Marcopper

DETERIORATING METAL prices and the requirement to use an expensive government-controlled smelter were largely responsible for the return to a loss at **Marcopper Mining Corporation** in the first quarter of this year.

Marcopper, which produces copper and gold in the Philippines, lost a net Pesos 4.78m (£250,000) in the three months to the end of March. This compares with a profit of Pesos 8.32m in the opening three months of 1983, and profits of Pesos 10.75m for the whole of last year, **reports Leo Gonzaga in Manila.**

The company is one of eight big local producers of copper concentrates which have supply contracts with **Philippine Associated Smelting and Refining** (Pasar) and also have small equity stakes in the State-controlled company.

Marcopper said that it sold 17,640 tonnes of its total production for the quarter to Pasar, which was not in operation during the first quarter of last year.

Prices were broadly in line with the market levels, but the smelting fee charged was reportedly 92 per cent higher than the average charged by smelters in Japan and elsewhere.

Exports of concentrates were higher in the first quarter at 9.8m kilogrammes, compared with 9.4m kg in the first quarter of last year, but the average price realised fell from 75.8 U.S. cents per pound to 65 cents, while the gold content of the *concentrates fetched* US$388.63 per ounce, down fro $464.9.

These factors were offset to some extent by the change in the exchange rate from Pesos 9.55 to the U.S. dollar to Pesos 13.93.

Meanwhile, Pasar's smelter and refinery have been closed temporarily following a spill of about 400 tonnes of blister copper from one of the operation's two anode furnaces. The warranty on the equipment, which was supplied from Japan, expired in March.

Durban Deep and ERPM omit interims

THE WIDENING GULF between South Africa's better quality gold mines and those which are at best marginal at current gold prices is shown clearly by the latest dividend declartions from the three mines in the **Rand Mines** group.

Blyvooruitzicht, which operates at a grade of between 7 and 8 grammes of gold per tonne of ore and has reasonably low costs, has declared a final dividend for the year to the end of June of 90 cents (50p) per share. This compares with last year's final of 155 cents, and makes a total for the year of 175 cents.

In sharp contrast, the two marginal mines in the group, **Durban Roodepoort Deep** and **East Rand Proprietary Mines**, have again omitted their interim dividends for the first half of the year to December 1984.

Both mines are still receiving financial assistance under South Africa's state aid scheme, and both are trying to protect themselves against any further deterioration in the gold price by carrying out forward sales.

The dividend omissions had been widely discounted in the share market, and Blyvoor's payment was in line with expectations.

Tin pact brings fall in Malaysian production

TIN CONCENTRATE output from the main Malaysian producers continued to fall in May, largely owing to the severe restrictions on exports and production imposed until the terms of the sixth International Tin Agreement.

The big **Malaysia Mining Corporation** (MMC) group, for example, produced 424 tonnes during the month, down from the April figure of 434 tonnes, bringing the cumulative total for the first four months of MMC's financial year to 1,696 tonnes, compared with 1,876 tonnes at the same stage of last year.

	May tonnes	April tonnes	March tonnes
Aokam	54	78	128
Ayer Hitam	119	92	127
Berjuntai	196	173	148
MMC	424	423	412
Sungei Besi	36	51	51
Tongkah Harb.	36	47	88
Tronoh	7	41	38

By contrast, **Berjuntai**, another leading producer, saw its output *rise to 196 tonnes, against 173* tonnes. However, this is only the first month of the company's financial year, and a lower figure can be expected for the full 12-month period.

Output of the next largest producer, **Ayer Hitam**, was also a little higher during May, at 119 tonnes compared with 92 tonnes, but the cumulative figure for the first 11 months of the company's financial year registers a decline from 1,601 tonnes to 1,216 tonnes.

A total of 15 dredges within the MMC group were closed throughout the month in line with the export restrictions, with significant closures also recorded *by a number of other dredges.*

Output from the **Gopeng** group of companies also fell during May, with the leading company, Gopeng itself, producing 114½ tonnes against April's 119½ tonnes.

This brought the cumulative total for the first eight months of the group's financial year to 988 tonnes, down from 1,063½ tonnes at the same stage of last year.

	May tonnes	April tonnes	March tonnes
Gopeng	114½	119½	132½
Mambang	25	23	33½
Idris	7	6¼	11½

Inspiration Resources loss so far

WEAK METAL prices ensured that **Inspiration Resources** of the U.S. remained in the red during the first quarter of this year, although the loss was halved in comparison with the first three months of 1983.

Inspiration, which last year became the main operating subsidiary of the Bermuda-registered **Minerals and Resources Corporation** (**Minorco**), the principal international investment vehicle of South Africa's **Anglo American Corporation/De Beers Consolidated Mines** group, had a net loss of US$15.24m (£10.9m).

This is equivalent to 50 cents per share, down from a loss of $1 per share last time.

Mr Reuben F. Richards, *chairman* and *chief* executive, said that the improvement arose mainly from a one-off payment received in settlement of a copper concentrate smelting contract.

The main factor behind the disappointing performance was the continued low level of copper prices, which affected the results of the Canadian subsidiary **Hudson Bay Mining and Smelting** (**Hudbay**). This company *recently reported* a small profit for the period, largely attributable to the improved price for zinc.

BASE LENDING RATES

A.B.N. Bank	9 %	C. Hoare & Co. †	9 %
Allied Irish Bank	9½%	Hongkong & Shanghai	9 %
Amro Bank	9 %	Kingsnorth Trust Ltd	10 %
Henry Ansbacher	9½%	Knowsley & Co. Ltd.	9½%
Associates Cap. Corp.	9 %	Lloyds Bank	9 %
Banco de Bilbao	9½%	Mallinhall Limited	9 %
Bank Hapoalim BM	9 %	Edward Manson & Co.	10½%
BCCI	9½%	Meghraj and Sons Ltd.	9½%
Bank of Ireland	9½%	Midland Bank	9½%
Bank of Cyprus	9½%	■ Morgan Grenfell	9 %
Bank of India	9½%	National Bk. of Kuwait	9 %
Bank of Scotland	9½%	National Girobank	9 %
Banque Belge Ltd.	9½%	National Westminster	9 %
Barclays Bank	9½%	Norwich Gen. Tst.	9½%
Beneficial Trust Ltd.	10 %	People's Tst. & Sv. Ltd	10 %
Bremar Holdings Ltd.	9 %	R. Raphael & Sons	9 %
Brit Bank of Mid. East	9 %	P. S. Refson & Co.	9½%
■ Brown Shipley	9½%	Roxburghe Guarantee	9½%
CL Bank Nederland	9 %	Royal Trust Co. Canada	9½%
Canada Permn't Trust	9 %	■ J Henry Schroder Wagg	9 %
Castle Court Trust Ltd.	9½%	Standard Chartered ‖	9½%
Cayzer Ltd.	9½%	Trade Dev. Bank	9½%
Cedar Holdings	9 %	TCB	9 %
■ Charterhouse Japhet	9½%	Trustee Savings Bank	9 %
Choulartons	10½%	United Bank of Kuwait	9 %
Citibank NA	9½%	United Mizrahi Bank	9 %
Citibank Savings ¶	9½%	Volkskas Limited	9½%
Clydesdale Bank	9½%	Westpac Banking Corp	9 %
C. F. Coates	10½%	Whiteaway Laidlaw	9½%
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Co-operative Bank *	9 %	Yorkshire Bank	9 %
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Dunbar & Co. Ltd.	9½%		
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Exeter Trust Ltd.	10½%		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	10 %		
Robert Fraser	9½%		
Grindlays Bank ‡	9 %		
■ Guinness Mahon	9 %		
■ Hambros Bank	9½%		
Heritable & Gen Trust	9½%		
■ Hill Samuel §	9½%		

■ Member of the Accepting Houses Committee.
* 7-day deposits 5.75%. 1-month 6.5 %. Fixed rate 12 months £2,500 8.5% £10,000, 12 months 9%.
† 7-day deposits on sums of under £10,000 6%. £10,000 up to £50,000 6¾%, £50,000 and over 7½%.
‡ Call deposits £1,000 and over 5¾%.
‖ 21-day deposits over £1,000 7%.
§ Demand deposits 5¾%.
¶ Mortgage base rate.

BOARD MEETINGS

TODAY

Interims: Charles Baynes, Carlton Communications, Arthur Guinness, Robert Kitchen Taylor, Microgen, Plaxtons (G.B.).

Finals: A. & M Hire, Central and Sheerwood, Deelkraal Gold Mining, Doornfontein Gold Mining, Driefontein Consolidated, Ferguson Industrial, Great Portland Estates, Kloof Gold Mining, Leigh Interests, Libanon Gold Mining, Thomas Locker, Metal Box, Nimslo International, Premier Consolidated Oilfields, Standard Fireworks, "The Times" Veneer, Venterspost Gold Mining, Vlakfontein Gold Mining.

FUTURE DATES

Interims—	
Aaronite	June 20
Allied Textile	July 23
Burns-Anderson	June 27
Camford Engineering	June 13
Kening Estates	June 15
Lee (Arthur)	June 20
Finals—	
Amber Industrial	June 14
Applied Computer Techniques	June 18
Austin (James) Steel	June 14
Bisichi Tin	June 13
Brickhouse Dudley	June 27
British and Commonwealth Shipping	June 14
British Land	June 19
Bulmer (H. P.)	†July 11
Caledonia Investments	June 14
Centrovincial Estates	June 14
Chubb	June 20
Continental and Indust. Trust	June 19
Electrocomponents	June 25
Harrisons Malaysian Plantat's	July 4
Oxford Instruments	June 20
Shaw Carpets	June 18
Stonehill	June 22
Thorpac	June 21
Walker and Staff	June 21
Wedgwood	June 19

† Corrected.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Exporting to Italy

A difficult market but not insurmountable

BY TIM DICKSON

GIVEN BRITISH perceptions of Italy, it comes as something of a surprise to be told that Italians drink English beer, wear British-made shoes and energetically decorate their houses and apartments with foreign DIY equipment.

Italy is not everybody's first choice as a possible export market—indeed, in view of its reputation for slow payment and obstructive customs officials, it would be many people's last.

But last week a rather more encouraging picture was built up by members of a special British Overseas Trade Board mission headed by Lord Jellicoe, its chairman. The consensus among them and among the many Italian-based British businessmen and embassy commercial staff encountered during the five-day tour was that Italy not only holds significant opportunities for ambitious British companies but that the well-publicised obstacles — provided they are tackled professionally—are far from insurmountable.

Italy is Britain's seventh largest overseas market, but the UK's share of Italian imported goods is only 4 per cent (compared with France's 12 per cent and West Germany's 15 per cent). Italian exporters moreover, are rather more successful in crossing the Alps.

Concerned that there are not altogether satisfactory reasons for this imbalance and armed with market intelligence that the DIY, medical equipment and consumer goods sectors hold out particular hope, the mission set off to see for itself and investigate both obstacles and opportunities for UK businesses.

Significantly, one of the chief aims was to look at the openings for small and medium-sized firms.

Different perspectives of the mission, whose hectic five-city schedule included visits to big Italian companies like Olivetti, Benetton and Fiat, are given in the accompanying article. But as Lord Jellicoe admitted at the end of the mission, Italy "is probably a more difficult market than most other countries in the EEC." He added: "It seems to me that many of the fields are best ploughed by the larger companies, but this does not mean that smaller ones cannot get in as sub-contractors.

"Companies that do want to go it alone should carry out good market research, should be committed to this market at least for the medium term, should take great trouble to get the right agent for distribution, and should spend time and money doing their own reconnaissance."

Inadequate

Throughout the visit, small and medium-sized exporters were frequently criticised by embassy staff and local distributors and agents for failure to do their homework and failure to try and understand the market.

For though border regulations almost rival Japan's as an obstacle to importers—a point admitted by Richard Burges Watson, the Minister (Commercial) and Consul General — local embassy staff find that many of the problems are created by sloppy documentation and inadequate preparation by UK suppliers.

It cannot be denied, on the other hand, that Italian customers are notoriously slow at paying their bills—even Glaxo's Italian subsidiary says it sometimes has to wait a year. Potential exporters, however, should distinguish between inefficient bank procedures (distributors maintain some banks deliberately hold on to the money to get an extra 30 days' interest), slow communications and straightforward customer reluctance.

Credit terms can be an important means of securing business. "There is no point in offering your customer 30 days, when your West German competitor is offering 120 days," commented a local banker.

According to the British Consulate-General in Milan, the foolproof procedure for obtaining payment on due date via the banking system is to use documentary collections supported by draft. Where this is not possible, he recommends opening an external collection account with a British bank or affiliate in Italy.

Exporters, meanwhile, are bound to be hampered by the poor quality of financial information — some Italian companies keep several sets of accounts and as one banker admitted, "status reports on customers are usually meaningless. This simply emphasises the importance of visiting the country, supporting your agent or distributors and meeting customers in person."

While companies can undoubtedly do a lot more to help themselves, "missionaries" were also concerned to find ways of improving the effectiveness of the BOTB and the embassy's commercial staff. The itinerary, which crammed in too many goodwill visits to major companies, suggested that the embassy staff are primarily concerned with landing big prestige contracts.

If more companies outside the select circle of household names are to be encouraged to push their goods into Italy, government agencies will have to find more effective means of support. All agreed, for example, that the export Intelligence Service (through which consular staff inform British companies about overseas contracts to tender) is not always hitting its target.

These and other issues will be discussed at a special half-day conference at the London Chamber of Commerce on June 25, when detailed findings of the mission will be presented.

For information on the conference, contact Julie Smyth, West European Section, LCCI, 69, Cannon Street, London EC4. Tel 01-248 4444. For details on the Italian market, contact Dr Howard Fisher at the BOTB, 1, Victoria Street, London SW1. Tel 01-215 5394.

Members of the BOTB mission (l to r): Richard Brown, Lord Jellicoe, John Wells and Ray Morgan

AS president of Sterling Winthrop Exports, part of the UK operation of Sterling Drug Inc. of New York, Richard Brown is well used to dealing in overseas markets.

Until last December, however, when the company made its first exploratory visit to Milan, Sterling had not considered Italy as a possible outlet for its range of DIY products. "I was put on to the idea by the BOTB and by Michael Sieff, deputy chairman of Marks & Spencer," explains Brown. "I was sceptical at first, but I am now convinced that there is a very good market for DIY."

Brown was one of four businessmen—two from independently run subsidiaries of large groups and two from smaller, privately owned companies—to accompany Lord Jellicoe on last week's mission. Among Brown's observations is that the Italian retail market is now less fragmented.

There may be 300,000 independent retail outlets, but now 18 per cent of Italian retail turnover goes through supermarket chains, co-operatives and Italian equivalents of Spar (the biggest of the UK's voluntary groupings of independent grocers).

To prove its commitment, Sterling is poised to sign a deal with a local company to manufacture products (primarily its Peel-Off Ronstrip) for the Italian consumer, and expects to despatch its first shipment in September.

Comments Brown: "The mission's visit to Fiat, Glaxo and Olivetti demonstrated to me that though all these companies are employing fewer people, their workforces are more ...ly skilled, more intelligent and enjoy larger disposable incomes than their UK equivalents. Experience suggests that one of the first things they are likely to do with the extra money is buy their own homes.

Brown says top Italian DIY buyers have already visited England and at two recent exhibitions expressed interest in the products of about 20 British companies (most of them small).

Potential exporters, he emphasises, need not be scared by the supposedly high cost of market investigation. "Last December we just sent one man to Milan, hired a transit van, and borrowed a stand from another company within the group. You don't need a vast budget, just a bit of initiative and enterpise."

Exporters generally, however, need to be patient. "It will take us 10 months to set the thing up, which I reckon is about par for the course."

John Wells, meanwhile, is deputy chief executive and marketing director of Bedford-based family brewer, Charles Wells. (It had sales worth £34m in the 14 months to January this year.) Unlike Sterling, Wells has been established in Italy since 1981, and sells two lorryloads of keg beer a week through its Milan-based distributor, So.Co.Val.

Wells acknowledges the help he has gained from his local partners, but admits that there have been problems. "We found it difficult to appreciate the differences in the market, and we had to invest a lot of money in buying special kegs. Advertising is important but expensive, particularly in relation to the volumes sold. While transport costs—although cheap between England and Italy — are about twice the price coming back because of the balance of trade in Italy's favour."

Investigation by the mission suggests that the scope for growth in English beer sales in Italy is considerable (though Wells says most English brewers are already aware of this). Imported beers currently account for 15 per cent of the market; English ales account for roughly 4 per cent of this, with Wells' own contribution about 7 per cent of the 4 per cent.

By no stretch of the imagination can Ray Morgan's company — the Medical Systems Group of Smiths Industries, where he is marketing director — be described as small. It does, though, consist of ten separate and relatively small businesses.

Morgan has some useful observations for others. He believes that opportunities to supply the Italian National Health Service are considerable, in spite of increased overseas competition. (The West Germans have around 23 to 24 per cent of this sector, compared with the UK's 7 per cent.) And he emphasises the importance for any businessman of going to investigate the market himself.

"The more you go and visit an agent or distributor, the more you stimulate him. It is vital that they are knowledgeable and enthusiastic about your products. Too many UK firms just send a catalogue and spend no time on education.

"UK medical equipment is well thought of in Italy, but UK firms aren't sufficiently aggressive."

The fourth member of the mission—Mark Wells of Hemel Hempstead-based Information Technology—was exploring the potential in Italy for the first time. "There's no substitute for coming here yourself and I was pleasantly surprised to hear how many computer related companies there are in Italy."

'Proposed law could hurt venture capitalists'

VENTURE capitalists have added their collective voice to the chorus of protests against sections of the Government White Paper on Insolvency Law reform. In a memorandum to Alex Fletcher, the Consumer Affairs Minister, the British Venture Capital Association (BVCA) says the proposed tightening up of the law relating to delinquent directors has "serious and far-reaching implications for the UK's fledgling venture capital industry."

As things stand, the White Paper (which followed the Cork Committee Report of June 1982) recommends that company directors (including "shadow" directors) should be personally liable for creditors' losses incurred through their company continuing to trade when they knew that the position would get worse. Moreover directors of companies compulsorily wound-up would be disqualified from taking part in the management of any company for a period of three years.

Comments Tony Lorenz, chairman of the 45-strong BVCA: "If implemented in their current form these suggestions will seriously discourage venture capitalists from carrying out their responsibilities in companies which are most subject to risk."

Many venture capital funds these days not only have a seat on the boards of companies they invest in, or appoint their own "independent" directors, they also deliberately adopt a "hands on" style and get actively involved in many aspects of management.

Even financial institutions which participate in syndicated deals often reserve the right to send representatives to board meetings who, although not appointed directors, could fall under the 1983 Companies Act definition of "shadow directors."

Says Lorenz: "At the very least the more risky companies will be forced into premature voluntary liquidation so that directors will avoid the penalties flowing from compulsory liquidation. The result is that venture capitalists will be taking an even more cautious line than secured lenders or unsecured creditors—a ridiculous reversal of role."

The insolvency law proposals, says the BVCA, will also deter experienced managers from big companies becoming full-time executives of small businesses during the vital high risk stages of development.

T. D.

In brief . . .

JUST IN time to catch the Department of Trade and Industry-designated "Local Enterprise Week," Deloitte Haskins and Sells has published a descriptive book on local enterprise agencies. It is aimed particularly at companies which might consider sponsoring an agency.

Along with plenty of words of encouragement, the authors sound a few of warning. Sponsors, for example, should examine the possibilities of collaboration with other organisations before establishing an agency of their own. They should ensure they can provide and maintain the necessary level of resources; and they should make sure that secondees from companies represent the agency, not the parent firm, which should remain at arm's length.

"Clients must not be overawed and many will put great value on getting independent advice from experts with no axe to grind."

The booklet is available free from Deloittes' London office, 128 Queen Victoria Street, London EC4. Tel: 01-248 3913.

●

ALAN PATRICOF Associates, investment adviser to the £10m institutional APA Venture Capital Fund, has recruited a new partner in Rhys Williams, until last week managing director of GEC's Gecom subsidiary. Gecom is a management company whose operating units include both GEC Telecommunications (£200m of sales in public switching and £100m in transmission products) and GEC Information Systems (sales around £150m).

APA's Ronald Cohen is excited to have attracted a man he believes to be a major "catch" for the venture capital industry. Observers agree that the growing number of venture capital funds need more managers with a wider knowledge of high technology industry and experience of running a fast-growing company.

APA is currently raising up to £25m for a second fund.

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Company Notices

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MEMBERS OF THE BARLOW RAND GROUP
(Companies incorporated in the Republic of South Africa)

DIVIDEND DECLARATION
BLYVOORUITZICHT GOLD MINING COMPANY, LIMITED

Notice is hereby given that dividend No. 77 of 90 cents per share has been declared in South African currency, as a final dividend in respect of the year ending 30 June, 1984, payable to members registered in the books of the company at the close of business on 29 June, 1984. The register of members will be closed from 30 June to 8 July, 1984, inclusive, and dividend warrants will be posted on or about 2 August, 1984.

The rate of exchange at which the dividend will be converted into United Kingdom currency for payment by the United Kingdom Registrars and Transfer Agents will be the telegraphic transfer rate of exchange between Johannesburg and London ruling on the first business day after 30 June, 1984, on which foreign currency dealings are transacted.

Where applicable, South African non-resident shareholders' tax of 15% will be deducted from the dividend.

The full conditions of payment of this dividend may be inspected at or obtained from the offices of the company in Johannesburg or in the United Kingdom.

DURBAN ROODEPOORT DEEP, LIMITED
EAST RAND PROPRIETARY MINES, LIMITED

The boards of directors of these companies have decided not to declare dividends for the half-year to 30 June, 1984.

By Order of the Boards
RAND MINES (MINING & SERVICES) LIMITED
Secretaries,
per V. M. MURTON

REGISTERED OFFICE:
15th Floor, 63 Fox Street
Johannesburg 2001
(PO Box 62370, Marshalltown, 2107)

OFFICES IN THE UNITED KINGDOM:
Charter Consolidated P.L.C.
40 Holborn Viaduct
London EC1P 1AJ

UNITED KINGDOM REGISTRARS AND TRANSFER AGENTS:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

11 June, 1984

CREDIT NATIONAL

Joint Stock Company with a capital of FRF 351.427.400
Registered Office:
45, Rue Saint Dominique—75700 PARIS
Trade register: PARIS B 542.044.524

FLOATING RATE BONDS 1978-1988 OF USD 1.000 EACH

Series including the 15.000 bonds drawn by lot on May 28, 1984 representing the entire nominal amount of USD 15.000.000 to be redeemed as at July 16, 1984:
57.673 to 72.672
These bonds will be redeemable at USD 1.000 at FRENCH AMERICAN BANKING CORPORATION in NEW YORK and at the offices of the following establishments:
—BANQUE NATIONALE DE PARIS (LUXEMBOURG) S.A.—Luxembourg
—BANQUE INTERNATIONALE A LUXEMBOURG—Luxembourg
—BANQUE NATIONALE DE PARIS—Paris
—MORGAN GUARANTY TRUST COMPANY OF NEW YORK—Bruxelles
—SOCIETE DE BANQUE SUISSE—Bale
—SOCIETE GENERALE—Paris
—UNION DE BANQUES SUISSES—Zurich
Outstanding amount: USD 60.000.000.

NEDLIBRA FINANCE B.V.

US$25,000,000 Guaranteed
Floating Rate Notes due 1993
Guaranteed on a subordinated basis by
LIBRA BANK LIMITED

For the three months 12 June, 1984 to 12th September, 1984, the Notes will bear an interest rate of 11⅞% per annum and the coupon amount per US$100,000 will be US$3,034.72.

Ford

BEARER DEPOSITARY RECEIPTS

Following the DIVIDEND DECLARATION by the Company on 12 April 1984 NOTICE is now given that the following DISTRIBUTION will become payable on or after 12 June 1984,

Gross Distribution per Unit		0.020 cents
Less 15% U.S.A. Withholding Tax		0.003 cents
		0.017 cents
Converted at $1.41	=	£0.01205673

Claims should be lodged with the DEPOSITARY, National Westminster Bank PLC, Stock Office Services, 20 Old Broad Street, London EC2 on special forms obtainable from that Office.

United Kingdom Banks and Members of the Stock Exchange should mark payment of the dividend in the appropriate square on the back of the certificate.

All other claimants must complete the special form and present this at the above address together with the certificate(s) for marking by the National Westminster Bank PLC. Postal applications cannot be accepted.
7 June 1984

BANQUE NATIONALE DE PARIS

Floating Rate Note Issue of U.S.$225 million June 1981/96

The rate of interest applicable for the period beginning June 13 1984 and set by the reference agent is 12¼% annually.

ENSO-GUTZEIT OSAKEYHTIO

8% 1973/1988 FF 100,000,000

NOTICE IS HEREBY GIVEN to Bondholders of the above Loan that the amount redeemable on July 16, 1984 i.e. FF 14,000,000 was bought in the market.
Amount outstanding:
FF 56,000,000.

The Fiscal Agent
KREDIETBANK
S.A. Luxembourgeoise

Luxembourg.
June 12, 1984.

Art Galleries

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But Mr Swan, winding-up a

FINANCIAL TIMES

Tuesday June 12 1984

EEC fishing pact with Norway in peril, Page 32

WALL STREET

Rate fears return as data awaited

RENEWED CONCERN over the future course of Federal Reserve policies was reflected in rises in short-term interest rates on Wall Street yesterday, *writes Terry Byland in New York.*

The federal funds rate forced higher, bringing assistance to the market by the Fed. Both bond and stock markets turned easier, although selling pressure was moderate.

On the stock market, prices turned down sharply at mid-session as investors shied away from the thought of higher interest rates. Also disturbing both stock and bond sectors was the disclosure that Argentina was seeking a renegotiation of its debts. The stock market steadied briefly but then extended its losses. By the close, the Dow Jones industrial average showed a net loss of 15.64 points at 1,115.61. Although turnover was moderate, the fall effectively wiped out the recent recovery, bringing back into focus the 1102 Dow closing levels of the last days of May. Turnover, at 67.8m shares, was higher than on Friday but among the lowest for several weeks.

Credit markets ended flat on the outcome of the regular weekly auction of Treasury bills, where three month rates rose above 10 per cent. In the stock market, Disney stock re-opened ahead of news from the board meeting and fell $9⅜ to $55¾. New long bond price is 98½, a net fall of 29/32, yielding 13.45 per cent.

This week brings a batch of economic data which should provide further clues to the pace of the U.S. economy. Retail sales for May, expected tomorrow, will be followed later in the week by consumer credit statistics and by the most recent index of industrial production.

Credit market operators believe that the Fed remains concerned about the rate of economic growth and, with the banking crisis now exerting less pressure, will seek to tighten credit policies.

The Federal funds rate, the key short-term rate influenced by the Fed, moved up to 11¼ per cent yesterday, at which level the Fed intervened with overnight system repurchases. The funds later eased to 11³⁄₁₆ per cent.

The closing Wall Street report, updated U.S. market monitors and late Canadian prices were unavailable because of continuing industrial action at the Financial Times' printers in Frankfurt.

The stock market looked uneasy as short-term rates moved higher. Prices were led downwards by another fall in IBM after the computer monarch cut prices on its recently introduced personal computer, confirming the market's widely-publicised predictions. IBM fell $⅞ to $104⅞.

Other Computer issues, taking their lead from IBM, drifted lower with the manufacturers of IBM-compatible machines under selling pressure.

Data General fell $1¼ to $44½, Texas Instruments $1 to $129⅝. But Digital Equipment, number two to IBM in data processing, gained $⅛ to $90⅞.

Honeywell dipped $½ to $50⅝. Teledyne, which announced the sale of its interest in Crown Cork and Seal, jumped $2¼ to $214½.

Other dull spots among the leaders including General Motors, $¾ down at $64⅜, Ford $1¼ down at $36½ and General Electric $¼ off at $53⅛.

Airline issue suffered another bout of weakness as investors pondered the implications for business traffic volume of higher interest rates. Delta Air shed $¼ to $30⅝, UAL (United Arlines), $1½ to $33⅞ and AMR (American), $1¼ to $31. The fall in the Dow Transportation average was deepened by falls in the leading rail stocks.

A block of 4.3m shares in Aetna Life was crossed in the market at $29½ – valuing the deal at $126.8m, among the largest on record at the exchange. The block moved at $⅜ below Friday's closing level.

While the problems of the banking industry played a less prominent role, the bald statement from first Chicago that it was no longer considering merging with Continental Illinois depressed Continental's stock price by $⅝ to $6⅝.

Monsanto suffered further selling, dipping $2⅞ to $43 on continuing unease in the stock market over criticism of some fertiliser products.

With money market rates up by between 5 and 15 basis points, treasury bill rates moved higher. The three-month bill added 16 basis points to penetrate the 10 per cent barrier, touching 10.02 per cent. Six-month bills at 10.61 per cent gained 10 basis points.

The bond market opened half a point down on Friday's close and was unable to sustain attempts to rally. The key long bond the 13¼ per cent of 2014 at 90 13/32 showed a net fall of 23/32.

A major new issue in the credit market gave some indication of views on longer-term trends. Salomon Bros led underwriting on a $6bn zero-coupon issue for the Federal National Mortgage Association due 2014, with the price of 3⅝ offering a yield of 11.37 per cent – about 20 basis points under the comparative yield on Treasury issues. The issue appeals to investors taking an optimistic view of U.S. long-term rates.

LONDON

MORE SETTLED conditions demonstrated yesterday that London markets regarded the statement of intentions at last week's seven-nation economic summit with some hope.

Although trade in the two main investment areas was light, government stocks for once shrugged off their recent obsession with U.S. bond market trends.

Renewed domestic and foreign demand took longer-dated gilts up ⅜, and sometimes more, before an easier tone after hours left net gains extending to ⅜. Shorts closed with rises ranging to ¼.

Most blue chip shares went higher from the outset and another setback early yesterday on Wall Street failed to daunt London spirits. The FT Industrial Ordinary index settled 6.7 higher at 838.1.

Chief price changes, Page 26; Details, Page 27; Share information service, Pages 28–29

EUROPE

A LATE arrival by Milan institutions, acting as support buyers, curbed earlier losses in a thin market much troubled by rifts within Italy's ruling coalition.

Losses included L64 for Fiat at L3,771, L36 in Centrale at L2,174, and L200 by Banca Commerciale at L32,750. Against the trend, Mediobanca managed a L980 gain at L56,000 and Generale Immobiliare L11 to L815. Domestic bonds showed weakness at the long end.

Other European bourses were closed for holidays, as were Australian markets.

HONG KONG

A FIRMER OPENING was not sustained in Hong Kong and the Hang Seng index, which managed an 11.91 advance by mid-morning, ended the session just 1.91 higher at 966.12.

The early mood was assisted by a Bank of China announcement of continued support for Conic Investment. Conic, suspended from trading on May 17 at 81 cents, resumed yesterday at 41 cents before closing at 48 cents.

SINGAPORE

BLUE CHIP issues were under continued pressure in Singapore although price movements were not great in view of the thin trading conditions. The Straits Times Industrial index fell 10.15 to 939.69.

Losses among blue chips included National Iron, down 10 cents to S$5.35, Times Publishing 10 cents to S$8.30 and Keppel 8 cents S$2.34.

SOUTH AFRICA

GOLD SHARES eased marginally in Johannesburg, in line with a weaker bullion price, but trading was light as few sellers were to be found.

Mining financials mirrored the trend with Anglo-American Corporation down 15 cents to R24.60 and Gencor 25 cents easier at R26.75.

CANADA

LOSSES in Toronto, most pronounced among gold issues, began extending to the energy and property sectors too.

CORPORATE JAPAN

Bully boys and balance sheets

THE JUICIEST financial scandal now running in Japan involves a publicly quoted department store group, alleged to have paid off a group of "sokaiya" – corporate gangsters – to ensure a trouble-free annual meeting, *writes Robert Cottrell in Tokyo.*

Sokaiya threaten to disrupt annual meetings unless they are paid hush-money. Once paid, they undertake to silence dissent from any legitimate shareholders.

Many large companies in Japan used to hire sokaiya, at least until October 1982 when such payoffs were outlawed. The wide publicity being given the current police investigation may be intended as a warning to companies which may have concealed, rather than severed, their sokaiya connections.

The high season for shareholder meetings begins in Tokyo this month. It will be interesting to see which companies pay sokaiya and risk the shame of prosecution, and which stay within the law, risking a marathon annual meeting ripe with filibusters and innuendo.

Sokaiya stand as a symbol of the tolerance and passivity of Japanese individual shareholders, who receive from many companies annual reports bearing only a notional relationship to the financial condition of the issuer. The balance sheet may contain – literally – 19th century asset valuations and a dozen or more special reserves.

Discerning a profit trend has in the past required an inspired reading of supplementary notes with the eye of a trained accountant, though the current round of annual reports will be the first to follow compulsory standardised equity accounting procedures.

While shareholders are presumably in the market for the money, the attraction cannot be the dividend stream. Shares quoted on the first section of the Tokyo stock exchange are currently yielding an average of around 1 per cent, down from 4 per cent 15 years ago. Either Japanese boards and taxmen will have to become more generous or Tokyo will later this decade be pioneering the zero-coupon equity.

Shareholders rely on the stock market to realise capital gains – which the Tokyo market has yielded, in real terms, more consistently than any other major equity market in the post-war years.

The individual investor has, however, been seeing a proportionately smaller share of those gains. Having held a majority of quoted stocks in the 1950s, individuals owned just 40 per cent of quoted shares in 1972 and 28 per cent in 1983. The major net buyers were domestic corporations and financial institutions. But foreigners, too, have been raising their share of the market, from 2.5 per cent in 1980 to 5.1 per cent in 1983.

It may not be irrelevant to this trend that foreign fund managers have consistently outperformed their Japanese counterparts in managing Japanese equity investments. Japan's trust banks, which manage pension funds, have been protected by law from competition, allowing them to prefer ultra-cautious, unimaginative strategies. Japanese brokerage houses have traditionally been far better at selling equities than they have at analysing or managing them.

But as the London equity market follows New York's lead towards deregulation, Tokyo is likely to find it increasingly difficult to preserve its antiquated structure.

The foreigners may have a hard time winning market share in Japan, but the prospect of competition is already concentrating local minds. Tokyo's big four brokerage houses, which have now been barred from forming joint ventures with the incoming foreign banks, are feeling their way towards a more international future. The recently announced New York joint venture between Nikko Securities and Britain's Charterhouse J. Rothschild is a foretaste of things to come.

More foreign institutions are likely to receive Japanese brokers' licences this year. One or two may in time even buy seats on the Tokyo stock exchange despite the Y1bn ($4.3m) price-tag. But many stockbrokers believe Tokyo's system of fixed commissions will crumble within two to four years, greatly evening out the distinction between licensed, unlicensed, foreign and domestic brokers, since commission fees will be fixed by negotiation and not by status.

The quoted companies themselves may also be an important factor in changing the character of the stock market. They are building up strong liquidity positions from equity issues and profits, relying less on heavy bank borrowing.

If, as several analysts believe, Tokyo is now entering a phase of weakness after its 20-month boom, the increased demand for positive portfolio performance could itself accelerate the pace of change. With luck, the spectacle of several hundred sokaiya shouting: "We support you, we support you" at smiling company chairmen will become not only illegal but counter-productive. Shareholders, not sokaiya, will have to be courted.

TOKYO

Drug issues still focus of demand

BIOTECHNOLOGY-related stocks remained popular in Tokyo yesterday as prices overall registered a third consecutive gain, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average of 225 select issues added 25.90 to 10,376.83, with volume totalling 375.49m shares against Friday's 448.46m. Gains outpaced losses 380 to 291, with 168 issues unchanged.

Both institutional and individual investors found bright signs in Iran's announcement of its readiness to halt attacks on urban areas in Iraq, and in the firmer tone last week on Wall Street. But they still showed no eagerness to buy actively, apparently due to heavy pressure from the high margin buying balance, which was close to an all-time high level.

Investors thus chiefly sought incentive-backed issues and speculative leaders. Of the 10 most active stocks, biotechnology related issues accounted for five and non-ferrous metals stocks two. Transactions in the 10 issues amounted to 47.9 per cent of the day's total trading, attesting to investors' selective buying.

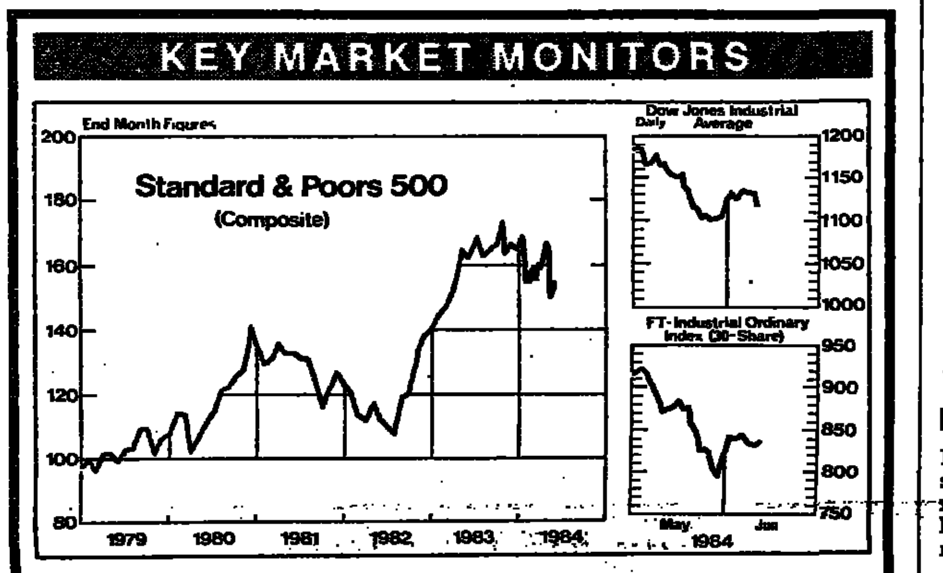
Toyo Soda topped the actives list with 30.16m shares changing hands, gaining Y27 to Y336. The company has a stake in a medical research institute.

Mitsui Engineering and Shipbuilding, which is advancing into the field of biotechnological plant construction, drew investor interest. Trading in the stock was the third largest for the day, with 25.13m shares, but investors turned to selling in the afternoon and the issue finished Y8 lower at Y177.

Onoda Cement and Kuraray soared Y13 and Y16 respectively, to Y318 and Y745, reflecting their business related to anti-cancer drugs. Other stocks traded actively as biotechnology issues included Meiji Milk, down Y7 at Y485; Snow Brand Milk, up Y22 at Y383; Taiyo Fishery, Y5 higher at Y203; and Fujisawa Pharmaceutical, which shot up Y76 to Y980.

Financial institutions showed little activity on the bond market with no fresh incentives in sight. The benchmark 7.5 per cent government bonds maturing in January 1993 were bought in small lots amid thin selling, and its yield dipped three basis points from Friday to 7.39 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

	June 11	Previous	Year ago
NEW YORK			
DJ Industrials	1115.61	1131.25	1196.11
DJ Transport	469.24	477.87	572.94
DJ Utilities	123.03	124.37	126.80
S&P Composite	153.09*	155.17	162.68
LONDON			
FT Ind Ord	838.1	831.4	721.3
FT-SE 100	1075.9	1068.6	908.1
FT-A All-share	501.98	499.38	445.84
FT-A 500	549.43	546.59	488.20
FT Gold mines	667.6	672.3	628.8
FT-A Long gilt	10.70	10.71	10.25
TOKYO			
Nikkei-Dow	10,376.83	10,350.9	8500.48
Tokyo SE	800.58	798.61	632.08
AUSTRALIA			
All Ord.	closed	679.8	599.0
Metals & Mins.	closed	454.0	528.6
AUSTRIA			
Credit Aktien	closed	54.68	57.4
BELGIUM			
Belgian SE	closed	147.91	120.54
CANADA	June 11	Previous	Yr ago
Toronto			
Metals & Minls	1978.4*	1986.4	—
Composite	2263.4*	2274.4	2377.4
Montreal			
Portfolio	110.52*	110.7	120.0
DENMARK			
Copenhagen SE	closed	185.16	142.29
FRANCE			
CAC Gen	closed	171.6	125.6
Ind. Tendance	closed	107.0	76.8
WEST GERMANY			
FAZ-Aktien	closed	346.59	308.89
Commerzbank	closed	1007.5	919.6
HONG KONG			
Hang Seng	966.12	964.21	886.52
ITALY			
Banca Comm.	203.62	209.80	190.63
NETHERLANDS			
ANP-CBS Gen	closed	157.2	129.5
ANP-CBS Ind	closed	125.2	103.9
NORWAY			
Oslo SE	closed	259.26	185.1
SINGAPORE			
Straits Times	939.69	949.84	961.57
SOUTH AFRICA			
Golds	n/a	1045.5	884.4
Industrials	n/a	1045.4	941.7
SPAIN			
Madrid SE	121.36	121.46	115.28
SWEDEN			
J & P	closed	1428.88	1294.3
SWITZERLAND			
Swiss Bank Ind	closed	364.0	319.6
WORLD	June 8	Prev	Year ago
Capital Int'l	closed	179.2	173.3

GOLD (per ounce)

	June 11	Prev
London	$378.00	$386.50
Frankfurt	closed	n/a
Zürich	closed	n/a
Paris (fixing)	closed	n/a
Luxembourg (fixing)	closed	n/a
New York (June)	$373.30	$383.80

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR June 11	U.S. DOLLAR Previous	STERLING June 11	STERLING Previous
$	–	–	1.3895	1.395
DM	2.714	2.698	3.7675	3.7625
Yen	231.85	231.65	321.75	323.0
FFr	8.335	8.3	11.58	11.58
SwFr	2.264	2.249	3.145	3.1375
Guilder	3.059	3.0415	4.25	4.2425
Lira	1679.0	1676.0	2330.0	2333.0
BFr	55.32	55.08	76.7	76.75
C$	1.30125	1.30125	1.807	1.8125

INTEREST RATES

	June 11	Prev
Euro-currencies (3-month offered rate)		
£	9⅝	9½
SwFr	3¹⁵⁄₁₆	3¹⁵⁄₁₆
DM	5¹⁵⁄₁₆	5⅞
FFr	13½	13½
FT London Interbank fixing (offered rate)		
3-month U.S.$	11⁹⁄₁₆	11⅝
6-month U.S.$	12⅝₁₆	12⅝
U.S. Fed Funds	11³⁄₁₆*	10⅞
U.S. 3-month CDs	11.15*	11.20
U.S. 3-month T-bills	10.01*	9.865

U.S BONDS

Treasury	June 11* Price	June 11* Yield	Prev Price	Prev Yield
12⅝ 1986	99¹⁷⁄₃₂	12.90	99²⁷⁄₃₂	12.71
12⅝ 1991	94²⁷⁄₃₂	13.55	95⅝₃₂	13.47
13⅜ 1994	97²⁹⁄₃₂	13.53	98⅝₃₂	13.48
13¼ 2014	90¹³⁄₃₂	13.46	90⁴⁄₃₂	13.41

Corporate	June 11* Price	June 11* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	87¼	13.55	87½	13.50
3⅞ July 1990	71	10.50	71	10.45
8¾ May 2000	66⅝	14.05	67½	13.90
Xerox				
10⅞ March 1993	83⅞	13.90	83¼	13.80
Diamond Shamrock				
10⅜ May 1993	82⅞	14.05	83⅝	13.95
Federated Dept Stores				
10⅝ May 2013	75⅞	14.10	76⅝	13.95
Abbot Lab				
11.80 Feb 2013	84⅞	14.10	85	13.95
Alcoa				
12¼ Dec 2012	84⅜	14.50	85⅝	14.25

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
June	61–22	61–29	61–18	61–29
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	88.80	88.84	88.74	88.86
Certificates of Deposit (IMM) $1m points of 100%				
June	88.69	88.74	88.66	88.72
LONDON				
Three-month Eurodollar $1m points of 100%				
June	88.68	88.67	88.62	88.63
20-year Notional Gilt £50,000 32nds of 100%				
June	104–03	104–23	104–03	104–03

COMMODITIES

(London)	June 11	Prev
Silver (spot fixing)	644.95p	652.90p
Copper (cash)	£999.00	£1007.25
Coffee (July)	£2264.00	£2332.50
Oil (spot Arabian light)	$28.34	$28.38

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20¾	13¾	AAR	.44	2.2	21	8	19⅞	19¾	19¾	
53¾	31½	ACF	1.40	2.6	145	872	u53¾	53⅛	53½	+ ½
22	15½	AMCA	n 1	6.2		11	16⅛	16¼	16¼	− ⅛
18⅞	13⅛	AMF	.50	3.2		77	15⅝	15½	15⅝	+ ⅛
51½	49⅝	AMF	pf2.96e	5.7		43	u51¼	51	51¼	+ ¼
41¼	25⅝	AMRCp			5	5882	31¼	30¼	30¼	−2
20⅝	17⅝	AMR	pf2.18	11.		x553	19½	19¼	19½	+ ¼
41½	29⅝	AMR	pf2.13	6.5		181	33½	32½	32⅝	−1⅝
29⅝	23	ANR	pf2.67	11.		1	23¾	23¼	23¼	− ⅝
18¾	8⅞	APL			4	1	11⅛	11⅛	11⅛	− ⅛
55¾	40⅛	ARA	2.10	4.7	9	162	45½	44½	44½	−1¼
73	50¼	ASA	3a	4.9		304	62⅝	60¾	60¾	−1⅞
31¾	17	AVX	s .32	1.6	15	18	20¼	20¼	20¼	− ½
53⅞	38⅛	AbtLab	1.20	2.8	15	1041	43¾	43⅛	43⅝	− ¼
30⅝	23¾	AccoWd	.60	2.3	17	11	26¼	26⅛	26⅛	− ⅛
27½	17	AcmeC	.40	2.4		218	17½	17	17	− ½
12⅝	8¼	AcmeE	.32b	3.6	25	1	9	9	9	− ⅛
24⅝	11	AdmDg	.04	.3	7	x8	12⅜	12¼	12⅜	+ ¼
18¼	15⅛	AdaEx	2.11e	14.		38	15½	15¼	15¼	− ⅛
19¾	12½	AdmMI	.28	1.6	8	36	17¼	16⅝	17¼	+ ½
22	13½	AdvSys	.81t	5.5	14	23	14¾	14¾	14¾	+ ⅛
18¼	6¼	Advest	.12	1.5	10	88	8½	d7⅝	7⅞	− ½
37½	25⅛	AMD	s		25	3054	32¼	31⅛	31⅛	−1½
24⅝	9⅝	Aerflex			11	29	11½	11¼	11½	+ ⅛
41⅝	30⅛	AetnLf	2.64	8.9	16	44578	30⅛	d28½	29½	− ⅝
59⅝	54⅝	AetL	pf5.49e	9.7		16	56½	56¼	56½	+ ¼
35⅞	15¼	Ahmns	1.20	6.5	4	837	19¼	18⅛	18⅜	−1⅛
[illegible]										

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Continued on Page 25

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 26

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 24

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
32½	26	WashGs	3.02	10	6	63	30¾	30½	30½	-⅛
26¼	17½	WshNat	1.08	5.7	9	x43	19⅛	18⅞	18⅞	+⅛
21¾	16	WshWt	2.48	15	6	99	17	16⅝	16¾	-⅛
56½	27¼	Waste	.80	2.7	12	x2352	29⅝	29½	29⅝	
30⅛	18	WatkJ	s.32	1.3	12	59	24⅛	23⅝	23⅞	
15⅞	10⅞	WayGos	.20	1.7	14	5	11¾	11⅝	11⅝	
10½	4	WeanU				30	5	4⅞	4⅞	-⅛
25	14⅞	WebbD	.05e	.3	10	106	17⅛	17⅛	17⅛	-⅛
40½	28	WeisMk	.64	2.0	12	27	31½	31¼	31⅜	
42¼	32⅝	WellsF	2.16	6.3	6	151	34¾	34¼	34⅜	-⅛
50½	45	WelF	pf4.96e	11		z250	45	44½	44½	-1⅛
28⅞	22¾	WelFM	2.80	11	9	29	25¼	25	25⅛	-⅛
16⅝	10¾	Wendy	s.24	1.5	15	1680	16⅛	15⅞	16	-⅛
32¾	20⅝	WestCo	.44	2.0	11	144	22⅛	21¾	22	-⅛
40	34	WPenP	pf4.50	13		z100	35	35	35	-1
54⅝	38	WstPtP	2.20	5.2	7	54	43½	42⅝	42⅝	-⅛
6⅞	2⅝	WnAirL				299	3	2⅞	2⅞	-⅛

Continued on Page 26

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

June 8	Price Sch%	+ or —
Creditanstalt	210	.....
Goesser	335	+2
Interunfall	407	.....
Laenderbank	204	+1
Perlmooser	359	.....
Steyr-Daimler	145	—4
Veitscher Mag	218	+2

BELGIUM/LUXEMBOURG

June 8	Price Frs.	+ or —
ARBED	1,655	—20
Banq Int A Lux	5,000	.....
Bekaert B	5,900	—100
Ciment CBR	2,310	+10
Cockerill	289	—4
Delhaize	4,945	—50
EBES	2,500	+25
Electrobel	6,820	.....
Fabrique Nat	1,990	+50
GB Inno BM	3,095	+10
GBL (Brux)	2,250	.....
Gevaert	3,220	.....
Hoboken	5,500	+10
Intercom	1,855	—20
Kredietbank	7,210	—50
Pan Hldgs.	9,850	.....
Petrofina	6,830	+20
Royale Belge	9,200	+200
Soc. Gen. Banq	3,145	.....
Soc. Gen. Belge	1,750	.....
Sofina	5,990	—10
Solvay	4,020	+40
Traction el	3,425	+55
UCB	4,660	+10
Vieille Mont	4,000	.....

DENMARK

FRANCE

GERMANY

June 8	Price Dm.	+ or —
AEG-Telef	98.5	+0.3
Allianz Vers	773	+5
BASF	164.7	.....
Bayer	169.5	.....
Bayer-Hypo	279	—1
Bayer-Verein	333	+1
BHF-Bank	266	+1
BMW	393.5	+4
Brown Boveri	215	.....
Commerzbank	158.7	—0.5
Cont'l. Gummi.	127	+0.5
Daimler-Benz	576	+0.2
Degussa	383.5	+0.5
D'sche Babcock	152	—3.5
Deutsche Bank	348.5xd	—2.4
Dresdner Bankk.	156.5	+1.6
GHH	148.5	+0.5
Hochtief	598	+13
Hoechst	166	—0.5
Hoesch Werke	115.8	.....
Holzmann (P)	444	+14
Horten	196	.....
Kali und Salz	198.5	—3.5
Karstadt	259	+1.5
Kaufhof	238.5	+3.5
KHD	245.5	—1.5
Kloeckner	62.9	—0.4
Krupp	78	.....
Linde	369	+1
Lufthansa	137.5	—0.5
MAN	150.5	+4.6
Mannesmann	143.1	—0.8
Mercedes Hld.	506.8	+5.8
Metallgesell.	236	—4
Muench Rueck	1,020	.....
Preussag	269	+1
Rhein West Elect	161.5	+1
Rosenthal	238	+5.5
Schering	334	+2
Siemens	392	+2
Thyssen	84.8	—0.7
Varta	175.5	+0.5

ITALY

NETHERLANDS

NORWAY

June. 8	Price Kroner	+ or —
Bergen Bank	159	—6
Borregaard	265	.....
Christiania Bk.	169	—1
Den Norsk Credit	162	.....
Elkem	138.5	—2
Norsk Data	300	+2
Norsk Hydro	669	—18.5
Storebrand	212.5	.....

SPAIN

June. 11	Price Pta%	+ or —
Bco Bilbao	322	—3
Bco Central	326	+1
Bco Exterior	204	.....
Bco Hispano	232	+2
Bco Santander	311	+1
Bco Vizcaya	377	.....
Dragados	164.5	—0.5
Hidrola	52.7	.....
Iberduero	60.5	—0.2
Petroleos	138	+0.8
Telefonica	83.7	.....

SWEDEN

June 8	Price Kronor	+ or —
AGA	335	—5
Alfa-Laval	226	—4
ASEA (Free)	290	—7
Astra (Free)	375	—15
Atlas Copco	121	+4
Boliden	385	.....
Cardo (Free)	390	.....
Cellulosa	138	+2
Electrolux B	246	—1
Ericsson	300	—2
Esselte	290	.....
Mo Och Domsjo	370xa	—5
Pharmacia	240	+2
Saab Scania	401	.....
Sandvik	400	.....

SWITZERLAND

AUSTRALIA

AUSTRALIA (continued)

June 8	Price Aust. $	+ or —
Gen Prop Trust	2.05	.....
Hardie (J.)	2.94	—0.06
Hartogen Energy	2.15	—0.05
Herald W'y Times	3.2	+0.02
ICI Aust	1.85	—0.05
Jimb'lana 50cFP	0.25	.....
Kia Ora Gold	0.16	.....
Lend Lease	4.6	.....
MIM	2.98	+0.01
Mayne Nickless	2.25	.....
Meekatharra	0.65	.....
Myer Emp.	1.67	.....
Nat. Com. Bk.	3.28	+0.08
News	9.5	.....
Nicholas Kiwi	2.58	+0.08
North Bkn Hill	2.35	—0.05
Oakbridge	0.82	—0.06
Otter Expl	0.55	.....
Pancont'l	1.17	—0.01
Pioneer Conc	1.4	+0.02
Queensland Coal	1.01	+0.01
Reckitt & Coln	2.4	.....
Repco	1.11	—0.01
Santos	6.88	—0.02
Smith (H.)	3.4	+0.05
Southland Min'g.	0.33	—0.01
Spargos Expl	0.39	—0.01
Thos. Natwide	1.68	+0.05
Tooth	5.3	.....
Vamgas	2.8	.....
Western Mining	3.4	—0.08
Westpac	3.65	—0.11
Woodside Petrol.	1.09	—0.02
Woolworths	2.28	.....
Wormald Intl	2.7	—0.05

HONG KONG

June 11	Price H.K.$	+ or —
Bank East Asia	22.8	+0.5
Cheung Kong	8.7	.....
China Light	12.3	.....
Hang Lung Devel	2.4	.....
Hang Seng Bank	36	+0.6
HK Electric	5.9	.....
HK Kowloon Wh.	3.75	+0.05

JAPAN

JAPAN (continued)

June. 11	Price Yen	+ or —
MHI	239	—8
Mitsui Co.	360	—4
Mitsui Estate	678	.....
Mitsukoshi	398	.....
NGK Insulators	738	—1
Nihon Cement	201	+1
Nippon Denso	1,430	.....
Nippon Elect	1,200	+10
Nippon Express	309	—1
Nippon Gakki	605	.....
Nippon Kokan	150	+2
Nippon Oil	1,040	+20
Nippon Seiko	515	—1
Nippon Shimpan	530	—1
Nippon Steel	166	+3
Nippon Suisan	343	+3
NTV	13,000	+350
Nippon Yusen	235	+2
Nissan Motor	621	+1
Nisshin Flour	461	—5
Nisshin Steel	198	—2
Nomura	703	—11
Olympus	864	+10
Orient Leasing	3,400	.....
Pioneer	2,580	—10
Renown	636	+1
Ricoh	896	—4
Sankyo	728	+22
Sanyo Elect	518	+18
Sapporo	437	+7
Sekisui Prefab	618	—6
Seven-Eleven	8,510	—80
Sharp	1,060	+10
Shimadzu	518	+13
Shionogi	764	+38
Shiseido	1,040	+10
Sony	3,850	—20
Stanley	658	+2
S'tmo Bank	1,000	+10
S'tomo Elect	627	+7
S'tomo Marine	426	.....
S'tomo Metal	171	.....
Taihei Dengyo	484	+4
Taisei Corp	212	—3
Taisho Pharm	940	—5
Takeda	773	+18
TDK	5,010	—50
Teijin	410	+16
Teikoku Oil	708	—7
Tokyo Marine	577	.....
TBS	772	+22

SINGAPORE

SOUTH AFRICA

CANADA

TORONTO

Prices at 2.30 pm June 11

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Tr. 11½pc 1989	£98¾	+£¼
Tr 13¾pc 00-03	£122½	+£½
Adv. Services	84	+ 4
Allebone	39	+ 4
Amersham Int'l.	234	+ 6
Assoc. Fisheries	89	+ 5
Bowater	260	+ 10
Caffyns	136	+ 8
Count. Gent Ass.	520	+ 95
GUS A	567	+ 12
GKN	178	+ 6
Hawk. Sidd.	431	+ 9
Hogg Robinson	186	+ 8
Land Securities	280	+ 5
Neill (James)	61½	+ 4
Our Price	233	+ 18
Pentland Inds.	107	+ 10
Qu. Moat Ho.	47	+ 4
Reuters New B	230	+ 6
Roy. Bk. Scotl.	212	+ 8
Staveley Inds.	246	+ 8
Tesco	188	+ 4
Thorn EMI	541	+ 7
Wyndham Eng.	103	+ 7

FALLS

Brit. Aerospace	383	− 6
Phonix Assce.	447	− 11
Buffels	£45½	− £⅝
Gopeng Berhad	215	− 10

Continued on Page 34

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 25

NEW YORK

Indices

NEW YORK-DOW JONES

	Jun 11	Jun 8	Jun 7	Jun 6	Jun 5	Jun 4	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	1115.61	1131.25	1132.44	1133.84	1124.89	1131.57	5055.12 (25/5)	23.22 (29/5)	5055.12 (25/5/84)	23.22 (29/5/84)
Transport	489.24	477.87	478.19	485.88	478.42	485.49	612.63 (9/1)	55.12 (25/5)	612.63 (9/1/84)	12.23 (8/7/32)
Utilities	123.83	124.37	124.42	124.9	124.26	124.86	134.83 (8/1)	6.21 (29/5)	163.32 (20/4/69)	6.21 (29/5/84)
Trading vol 1000's†	6987	6784	-	-	-	-	-	-	-	

	Jun 8	Jun 1	May 25	(Year Ago Approx)
Ind div yield %	4.88	5.61	5.87	4.62

STANDARD AND POORS

	Jun 11	Jun 8	Jun 7	Jun 6	Jun 5	Jun 4	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	174.17	176.57	176.26	176.27	174.5	175.31	198.64 (8/1)	56.12 (25/5)	193.22 (22/8/83)	3.52 (30/6/32)
Composite	153.86	155.17	154.92	155.01	153.65	154.34	169.28 (8/1)	55.12 (25/5)	170.99 (22/6/83)	4.4 (1/6/32)

	Jun 6	May 31	May 23	Year Ago (Approx)
Ind div yield %	4.18	4.30	4.23	4.84
Ind. P/E Ratio	10.98	11.80	11.76	13.98
Long Gov Bond Yield	13.44	13.80	13.48	10.97

N.Y.S.E ALL COMMON

RISES AND FALLS

	Jun 11	Jun 8	Jun 7
Issues traded	855	1948	1954
Rises	372	743	742

MONTREAL

TORONTO

New York Active Stocks

LONDON STOCK EXCHANGE

MARKET REPORT

Call for lower U.S. interest rates imparts stability to Gilt-edged and equities

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 4	June 14	June 15	June 25
June 18	June 28	June 29	July 9
July 2	July 12	July 13	July 23

* "New-time" dealings may take place from 9.30 am two business days earlier.

More settled conditions were indicative yesterday that London markets regarded the statement of intentions at the seven-nation economic summit with some hope. The call for lower U.S. interest rates was especially encouraging and helped to soothe investors' anxieties over a revival of recent pressures for dearer credit. A slightly more optimistic reading of the UK miners' situation was another factor imparting stability to markets.

Although trade in the two main investment areas was light, Government stocks for once shrugged off their recent obsession with U.S. bond market trends. Renewed domestic and foreign demand took longer-dated gilts up ½, and sometimes more, before the orders were satisfied. Towards the official close, quotations drifted back in quiet trading and a continuation of the easier tone after-hours left net gains extending to ⅜. An influx of smaller purchases in the wake of one sizeable investment order coloured business among the shorts, which closed with rises ranging to ¼.

Most blue chip shares went higher from the outset and at the first calculation the FT Industrial Ordinary share index was nearly six points up. Institutional investors were again reluctant to commit funds of any size, but sufficient demand was forthcoming from other sources to sustain most leaders at the enhanced price levels. Another setback early yesterday on Wall Street failed to daunt London spirits and the index settled 6.7 higher on the session at 838.1.

Of the sectors, the Store Retailers were easily the busiest. Top-quality issues rose before and after announcement of the May retail sales figures, which showed a continuation of the recent buoyant level of trading. Many situation and speculative equities also enjoyed brisk activity, and numerous firm features resulted from the usual crop of weekend Press tips.

Royal Bank Scot. rise

Royal Bank of Scotland highlighted the banking sector, rising 8 to 212p on revived speculation aroused by weekend Press comment. This suggested that RBS would sell its 39.3 per cent stake in Lloyds and Scottish to Lloyds Bank for around £100m and in return Lloyds would agree to reduce its controversial 21.3 per cent shareholding in RBS—currently under investigation by the Office of Fair Trading —to well below the 20 per cent level. Lloyds closed 6 better at 538p. Other major clearers gained ground on technical considerations. Barclays put on 7 to 472p.

Revived U.S. takeover hopes helped Hogg Robinson rise 6 to 186p, while elsewhere in Lloyds Brokers, Stewart Wrightson closed the same amount better at 366p. The absence of the rumoured Allianz bid left Phoenix 11 lower at 447p.

Reuters, already a couple of pence dearer on small domestic buying, moved further ahead on the disclosure that the Abu Dhabi Investment Authority had become the owner of 36.535m shares and the close was a net 6 up at 230p.

Unlisted Securities Market newcomer Northamber, a specialist supplier of computer printers and peripherals, staged a bright market debut; the shares opened at 128p and advanced to 153p prior to closing at 145p for a 30p premium over the placing price of 115p. The market debut of oil concern Tuskar Resources was in low key, however; placed at 35p, the shares opened at 38p and touched 40p before closing at 37p.

Breweries closed a shade firmer for choice, although trade remained sparse. Arthur Guinness opened higher at 147p and subsequently attracted revived support in front of today's half-timer to finish a net 6 dearer at 148p. Grand Metropolitan, 328p, and Bass, 382p, rose 4 apiece, but Whitbread, initially firm at 164p settled 2 cheaper on balance at 160p following the closure of the strike-bound Luton brewery.

After last week's dull performance, leading Buildings traded on a steadier note. Buyers reappeared for selected issues with Tarmac 6 better at 442p and RMC 4 dearer at 398p. Among Contracting and Construction issues, Costain firmed 4 to 286p and John Mowlem hardened a couple of pence to 204p, the latter awaiting news from the annual meeting. Barratt Developments remained a nervous market and slipped to a 1984 low of 88p before closing without alteration at 90p. William Leech added 3 to 150p on hopes of an increased offer from C. H. Beazer, while revived demand helped F. J. C. Lilley improve the same amount to 80p. Old takeover favourite Ben Bailey found support and gained a penny to 37p, but Burnett and Hallamshire remained out of favour and shed 10 to a low for the year of 140p.

Business in ICI remained modest, but the shares edged forward to close 6 dearer at 572p. Elsewhere, annual profits in line with market estimates and a confident statement prompted support for Amersham International which rose 6 to 234p.

Stores in demand

Firm throughout the morning session on persistent small support, major Retailers finished on a bright note; dealers reported a firm undertone despite some analysts' disappointment with the provisional May retail sales figures. Gussies "A" were to the fore, rising 12 to 567p, while British Home, 222p, and Marks and Spencer, 245p, rose 5 and 4 respectively. Habitat Mothercare, additionally buoyed by a "buy" recommendation from brokers Earnshaw Haes, closed 8 up at 296p. Speculators refused to be dissuaded from taking out fresh bull positions in Debenhams, which firmed 3 more to 181p despite the company's statement refuting weekend Press rumours of an eventual offer from Harris Queensway, 2 up at 178p.

Press comment prompted some noteworthy movements among secondary issues. Our Price were outstanding, rising 16 to 233p, while Allebone, 4 up at 39p, and Excalibur Jewellery, 2 better at 11½p, also benefited. Mail-orders made progress with Empire 4 dearer at 80p and Freemans 6 to the good at 112p. Lincroft Kilgour reverted to 115p, after 11[illegible], on further consideration of the share-exchange offer from John Finlan, 5 up at 210p.

A Press suggestion that the shares have been oversold following the disclosure of merger discussions with British Aerospace, attracted cheap buyers to Thorn EMI which moved up 7 to 541p, after 544p; Bae, however, succumbed to profit-taking and lost 6 to 383p, after 378p, awaiting the outcome of the Thorn and GEC talks. Elsewhere, Ferranti gained 7 to 672p amid vague rumours of an impending bid from Plessey, 2 better at 217p, after 220p. Pactrol firmed 10 to 200p on the results and Arlen recovered 5 at 47p, while Ward and Goldstone edged forward a couple of pence to 108p in response to an investment recommendation. Awaiting Thursday's annual figures, International Signal and Control hardened the turn to 218p.

Interest in the Engineering leaders was confined to GKN and Hawker; renewed demand based on recovery hopes lifted the former 6 to 178p and the latter 9 to 431p. Elsewhere, Staveley firmed 8 to 246p following comment ahead of Thursday's preliminary results, while Wyndham rose 7 to 103p late on the sharply increased dividend, strong profits recovery and the accompanying buoyant statement regarding the company's current record order book. James Neill reflected speculative support with an improvement of 4 at 61½p, while F. Pratt put on 2 more to 60p on continuing talk of a bid from 600 Group. Westland hardened a couple of pence to 172p ahead of tomorrow's interim figures; sentiment was also aided by confirmation that the group will undertake production and sales promotion of the Australian Wamira A-20 basic trainer aircraft in Europe, if selected by the RAF as its next trainer.

Bowater higher

Leading Foods were for the most part neglected, but Tesco attracted support in front of tomorrow's annual results and firmed 4 to 188p. Elsewhere, Associated Fisheries drew speculative demand based on takeover hopes and touched 91p before closing a net 5 up at 89p.

Among Hotels, Ladbroke were quoted ex rights and softened a penny at 215p; the new nil-paid shares opened at 25p premium and closed at 26p premium. Provincial hotel owners Queens Moat Houses put on 4 to a 1984 peak of 47p.

Bowater, which recently announced full details of the de-merger terms of its North American pulp and paper business, attracted a useful demand and closed 10 to the good at 260p. Among other quietly firm miscellaneous industrial leaders and ahead of Thursday's annual statement, Beecham improved 5 to 345p. Glaxo ended 8 dearer at 838p. Metal Box rose 4 to 350p, after 354p, in anticipation of today's preliminary figures, while Pilkington added 7 at 302p: the latter's results are scheduled for tomorrow. Secondary issues were featured by a jump of 95 to 520p in Country Gentleman's Association following news of Atlanta Trust's intention of acquiring a near-30 per cent stake in the company at 500p per share. Pentland Industries gained 10 to 107p after news that the chairman had increased his shareholding to over 57 per cent. Advance Services gained 4 to 84p on continuing talk of a bid from BET. LCP, 4 higher at 89p, and Sketchley, the same amount better at 370p, both responded to newspaper mention, while UKO International advanced 4 to 115p ahead of tomorrow's annual figures. Powell Duffryn, with full-year results scheduled for next Tuesday, added 7 more at 365p. Somic found support and closed 7 up at 43p.

A couple of firm counters emerged among Motor Distributors. Caffyns advanced 8 to 136p, after 138p, following the impressive annual profits recovery and property revaluation. Press comment lifted Hartwells 5 to 93p.

Leading Properties met with fresh demand on interest rate considerations. Land Securities firmed 5 to 280p and MEPC 4 to 290p. Great Portland Estates hardened a couple of pence to 154p in front of today's annual results, while Peachey improved a similar amount to 208p. Buyers returned for Greycoat City Offices, which put on 6 to 176p, while the good results and confident statement helped Sheraton Securities firm a penny to 14p. Against the trend, Clarke Nickolls eased 3 to a 1984 low of 125p on lack of inteerst, while Five Oaks Investments fell 5½ of 125p on lack of interest, while by the proposed Birmingham property acquisition.

Textiles traded in irregular fashion. Weekend comment stimulated sporadic interest for Albert Martin, 5 up at 51p, and Atkins Brothers, 8 better at 139p, but recent speculative favourite Victoria Carpets settled a net penny cheaper at 26p, after having touched 29p. Tomkinsons remained a nervous market in the wake of Friday's poor half-time results and fell 5 for a two-day decline of 26 to 98p.

Oils quiet

The oil majors were considerably quieter than of late and moved within a narrow range. BP drifted throughout the session and finally closed 3 Ultramar gave up a similar easier on balance at 502p, while amount to 285p. A Press suggestion that LASMO could be contemplating the sale of some of its interest in the Ninian oilefild left the price a couple of pence harder at 290p. Shell held on to an early gain of 3 and closed at 673p.

Interest in secondary issues was also at a low ebb. Recently-strong Saxon Oil dipped 5 to 370p and Goal Petroleum retreated 4 to 112p.

Anvil Petroleum were a lone firm feature and advanced 8 to 88p in the wake of renewed speculative interest.

Golds lose ground

Irish issues were usually easier where changed, Bryson Oil and Gas closing 10 off at 640p and Atlantic Resources 4 lower at 76p.

Elsewhere, Double Eagle rallied 5 to 45p.

The latest decline in bullion prices — gold closed another 8 easier at $378.5 an ounce — prompted renewed weakness throughout gold and gold related markets. South African Golds opened on a mixed note and showed little change throughout the morning. However, a downturn in metal prices in the afternoon encouraged selling from the U.S. and share prices turned easier to close with widespread losses.

The Gold Mines index dropped 4.7 more to 667.6 — extending the decline over the previous three trading days to one of 31.7.

The mines in the Barlow Rand group were a nervous market ahead of the dividend declarations. Durban Deep and East Rand Proprietary eased ½ apiece to £23 and £11⅞ respectively.

Financials lacked a decided trend. South African Coals were well supported — "Amcoal" added a half-point at £17 and Transvaal Consolidated Land a like amount at £29 — but "Amgold" fell £1⅛ to £86¼ and New Wits 19 to 582p.

London-registered issues staged a good rally in the after-hours' trading with Consolidated Gold Fields recovering from an initial 555p to close a net 3 harder at 563p. Charter ended the day a fraction to the good at 213p, after 210p, and RTZ put on 3 to 603p. Hampton Areas, due to report preliminary results on June 21, were 2 cheaper at 213p.

The closure of Sydney and Melbourne markets inhibited business in Australians which moved narrowly in either direction.

Tins were featured by Pengkalen which dropped 100 to 800p, reflecting Far Eastern selling. Tanjong and Gopeng fell 10 apiece to 425p and 215p respectively, but the Cornish producer Geevor held at 162p ahead of the preliminary results, expected on Thursday.

Relatively subdued conditions in London equities were mirrored by Traded Options which attracted 3,257 contracts — well short of last week's daily average of 5,278. Calls totalled 2,171 with Beecham recording 430 ahead of Thursday's preliminary results. Imperial Group were also wanted and attracted 482 trades, 166 in the August 160's which closed 3 up at 10p. 1,086 puts were transacted, almost all in the FTSE 100 index contract where the June 1050 proved popular with 451 trades struck.

FINANCIAL TIMES STOCK INDICES

	June 11	June 8	June 7	June 6	June 5	June 4	year ago
Government Secs ...	79.03	78.90	78.74	79.58	79.51	79.34	83.60
Fixed Interest	82.82	83.06	82.98	83.11	83.11	83.08	84.74
Industrial Ord.......	838.1	831.4	833.2	846.5	840.1	843.3	721.3
Gold Mines	667.6	672.3	694.0	699.3	698.5	711.5	628.8
Ord. Div. Yield.........	4.70	4.74	4.74	4.67	4.70	4.66	4.44
Earnings, Yld.% (full)	10.91	11.00	11.00	10.84	10.92	10.88	8.83
P/E Ratio (net) (*).....	11.00	10.91	10.91	11.07	11.01	11.06	[illegible]
Total bargains (Est.)	18,247	17,829	20,234	21,908	20,770	21,547	23,644
Equity turnover £m.	—	219.08	255.12	285.85	298.69	297.21	259.60
Equity bargains	—	13,130	14,059	15,516	18,025	20,153	18,422
Shares traded (ml)...	—	113.6	133.0	144.9	158.7	151.3	143.1

10 am 837.1. 11 am 836.5. Noon 836.6. 1 pm 837.1. 2 pm 837.9. 3 pm 838.3.

Basis 100 Govt. Secs. 8/1/58 Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/1/58. SE Activity 1974.

Latest Index 01-246 8026.

*Nil = 10.51.

HIGHS AND LOWS

—	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.77 (9/1)	77.86 (30/5)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/3)	82.39 (30/5)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	922.8 (5/5)	770.3 (4/1)	922.8 (3/5/84)	49.4 (26/6/40)
Gold Mines	711.7 (8/3)	520.2 (17/1)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	June 8	June 7
—Daily		
Gilt Edged Bargains ...	146.5	150.4
Equities Bargains ...	85.1	91.1
Value ...	442.8	515.7
5-day Average		
Gilt Edged Bargains ...	160.4	162.5
Equities Bargains ...	104.6	113.8
Value ...	548.1	569.1

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon June 11 1984 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	Fri June 8 Index No.	Thurs June 7 Index No.	Wed June 6 Index No.	Tues June 5 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (204)	493.11	+0.3	9.82	3.82	12.86	491.83	494.44	499.58	496.54	496.68
2	Building Materials (24)	474.17	+0.7	12.25	4.79	10.16	471.06	476.54	483.45	480.67	447.98
3	Contracting, Construction (32)	661.33	—	15.23	5.70	8.38	661.59	671.02	672.72	670.93	781.51
4	Electricals (14)	1547.39	−0.3	8.65	4.72	14.59	1552.33	1559.21	1556.46	1563.84	1938.56
5	Electronics (29)	1709.19	+0.2	8.53	2.27	15.04	1705.16	1712.23	1737.16	1725.36	0.0
6	Mechanical Engineering (62)	249.36	—	11.19	4.83	10.96	249.37	249.46	249.71	247.65	217.53
8	Metals and Metal Forming (9)	184.39	+1.2	11.54	6.84	11.05	182.22	183.67	186.43	183.97	179.87
9	Motors (17)	128.53	−0.4	6.14	4.74	—	129.10	129.53	131.14	130.69	109.25
10	Other Industrial Materials (17)	651.75	+0.4	6.97	3.69	17.86	648.85	650.69	657.84	654.20	499.71
21	CONSUMER GROUP (194)	506.49	+0.9	10.73	4.31	11.44	501.82	502.06	506.45	503.38	436.92
22	Brewers and Distillers (23)	518.41	+0.7	12.49	4.83	9.87	514.72	517.34	524.45	522.88	469.15
25	Food Manufacturing (22)	377.17	+0.3	14.72	5.78	8.36	376.03	378.60	378.33	375.95	339.65
26	Food Retailing (12)	1151.89	+0.1	7.45	2.68	17.52	1150.59	1153.29	1160.86	1154.52	899.46
27	Health and Household Products (9)	813.41	+0.7	5.96	2.88	19.87	807.71	798.99	801.13	789.69	857.08
29	Leisure (23)	601.99	+0.7	9.73	4.86	13.21	597.69	599.59	606.37	608.14	549.69
32	Newspapers, Publishing (13)	1323.78	+1.2	7.51	4.09	16.30	1307.98	1304.88	1295.90	1280.26	860.99
33	Packaging and Paper (15)	241.80	+1.4	12.16	4.58	9.56	238.38	238.95	240.03	237.85	171.99
34	Stores (46)	453.99	+1.6	8.90	3.83	14.89	446.98	450.53	454.37	452.15	384.74
35	Textiles (20)	264.68	+0.2	13.39	4.94	8.59	264.07	265.54	268.02	267.30	282.76
36	Tobaccos (3)	628.58	+2.0	17.48	5.74	6.46	616.41	602.59	620.21	615.77	417.74
39	Other Consumer (8)	464.01	−0.4	11.32	4.38	—	465.72	468.86	464.91	462.67	388.63
41	OTHER GROUPS (86)	437.99	+0.6	9.98	4.40	12.42	435.25	436.96	437.55	434.49	358.18
42	Chemicals (18)	577.92	+0.7	12.79	5.12	9.69	573.81	574.76	578.51	578.78	494.62
44	Office Equipment (4)	122.57	−0.3	7.81	5.09	16.09	122.94	123.30	124.86	122.78	118.17
45	Shipping and Transport (14)	851.61	+0.4	8.88	5.08	15.17	848.28	855.78	850.33	844.97	721.11
46	Miscellaneous (50)	610.85	+0.7	8.35	3.64	14.56	606.71	609.55	608.51	601.39	473.33
49	INDUSTRIAL GROUP (484)	496.84	+0.7	10.32	4.17	12.01	493.53	494.80	498.78	495.68	447.71
51	Oils (16)	1123.70	−0.2	13.03	6.01	9.51	1125.88	1136.80	1163.34	1146.70	932.22
59	500 SHARE INDEX	549.43	+0.5	10.79	4.49	11.49	546.59	548.67	554.56	550.31	488.20
61	FINANCIAL GROUP (120)	364.71	+0.5	—	5.85	—	362.72	363.81	364.22	359.30	324.86
62	Banks (6)	352.07	+1.5	25.91	8.05	4.54	346.89	349.47	349.90	345.09	357.31
63	Discount Houses (7)	415.11	−0.5	—	7.34	—	417.37	416.47	417.06	416.82	303.15
65	Insurance (Life) (9)	461.02	+0.1	—	5.78	—	460.49	462.79	463.02	459.94	424.95
66	Insurance (Composite) (9)	276.81	−0.1	—	6.43	—	277.13	276.66	277.52	278.11	212.87
67	Insurance (Brokers) (6)	729.07	+0.8	9.98	4.62	13.96	723.40	725.05	724.10	721.79	560.56
68	Merchant Banks (12)	205.99	−0.2	—	4.07	—	206.32	207.21	208.25	206.09	180.79
69	Property (53)	559.33	+0.8	5.54	3.75	24.32	554.72	555.16	555.09	548.04	467.67
70	Other Financial (18)	235.46	—	12.09	5.84	10.00	235.34	236.29	235.46	234.20	246.63
71	Investment Trusts (106)	476.07	+0.4	—	3.94	—	473.96	476.46	476.82	471.41	417.22
81	Mining Finance (4)	293.72	+0.5	9.48	5.10	13.47	292.31	294.74	300.63	301.50	273.28
91	Overseas Traders (16)	542.81	+0.5	8.84	7.01	14.83	539.21	543.08	542.09	542.23	456.79
99	ALL-SHARE INDEX (746)	501.98	+0.5	—	4.71	—	499.38	501.32	505.70	501.41	445.84
		Index No.	Day's Change	Day's High	Day's Low						
	FT-SE 100 SHARE INDEX	1075.9	+7.3	1076.5	1072.7	—	1068.6	1072.8	1087.9	1077.8	0.0

FIXED INTEREST

	PRICE INDICES	Mon June 11	Day's change %	Fri June 8	xd adj. today	xd adj. 1984 to date
	British Government					
1	5 years	115.45	+0.15	115.28	—	5.40
2	5–15 years	126.04	+0.31	125.65	—	5.64
3	Over 15 years	134.25	+0.26	133.90	—	5.82
4	Irredeemables	143.06	—	143.06	—	6.30
5	All stocks	125.31	+0.25	125.00	—	5.62
6	Debentures & Loans	[illegible]	—	[illegible]	—	4.99
7	Preference	76.91	−0.05	76.96	—	3.10

	AVERAGE GROSS REDEMPTION YIELDS		Mon June 11	Fri June 8	Year ago (approx.)
	British Government				
1	Low	5 years	11.13	11.18	9.97
2	Coupons	15 years	10.94	10.98	9.80
3		25 years	10.37	10.39	9.47
4	Medium	5 years	11.93	12.00	10.98
5	Coupons	15 years	11.33	11.36	10.52
6		25 years	10.62	10.65	9.89
7	High	5 years	12.02	12.08	11.05
8	Coupons	15 years	11.50	11.54	10.71
9		25 years	10.70	10.71	10.05
10	Irredeemables	†	10.28	10.28	9.49
11	Debs &	5 years	12.45	12.46	11.78
12	Loans	15 years	12.24	12.24	11.85
13		25 years	[illegible]	[illegible]	11.87
14	Preference		12.83	12.82	12.13

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

FRIDAY'S ACTIVE STOCKS

Stock	No. of changes	Fri. close	Day's change
Sound Diff	23	136	+2
Shell Trans ..	14	670	−7
Unilever ...	14	870	−5
Glaxo	13	835	+10
Reuters New B	12	224	+3
Beecham	11	340	+8
BP	11	505	−5
Gill and Duffus	11	177	−18
Brit Aerospace	10	389	+6
Euro Ferries ...	10	102½	−3
Hanson Trust	10	215	−3
ICI	10	566	—
LASMO	10	288	−5
Midland Bank	10	328	−5

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Based on bargains recorded in Stock Exchange Official List.

Stock	Closing price	Day's change
Allebone	39	+4
Amersham Int'l	234	+6
Assoc Fisheries	89	+5
Bowater	260	+10
British Aerospace	383	−6
Hogg Robinson	186	+6
ICI	572	+6
Land Securities	280	+5
Queens Moat Houses	47	+4
Reuters New B	230	+6
Royal Bank of Scot ...	212	+8
Thorn EMI	541	+7

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price p	+ or −	Net dividend	Times covered	Gross yield	P/E Ratio
270	100	10.6	105	85	Assoc Brit Ports	77		[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	[illegible]	57	61	BaillieGiffordTechnlgy	62		[illegible]	[illegible]	[illegible]	[illegible]
140	F.P.	15.6	175	138	Brikat 5p	163		[illegible]	[illegible]	[illegible]	[illegible]
120	F.P.	12.7	147	120	Comcap 5p	137		[illegible]	[illegible]	[illegible]	[illegible]
135	F.P.	19.6	170	[illegible]	Greggs 10p	166		[illegible]	[illegible]	[illegible]	[illegible]
195	F.P.	—	124	94	HoldenHydr'm'n10p	124		[illegible]	[illegible]	[illegible]	[illegible]
180	F.P.	—	200	155	Microvitec 5p	183		[illegible]	[illegible]	[illegible]	[illegible]
110	F.P.	22.6	18	13	Morris W. Fine Art 10p	16		[illegible]	[illegible]	[illegible]	[illegible]
116	F.P.	—	153	126	Northamber 5p	145		[illegible]	[illegible]	[illegible]	[illegible]
150	F.P.	27.4	60	57	OspreyCommunic'tns	60		[illegible]	[illegible]	[illegible]	[illegible]
80	F.P.	—	86	78	Petrogen Pet. Inc.	82		[illegible]	[illegible]	[illegible]	[illegible]
68	F.P.	—	73	68	Petrolex 5p	73		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	18.5	80	55	Plan Invest. 10p	60		[illegible]	[illegible]	[illegible]	[illegible]
196	F.P.	—	230	206	Reuters 'B' 10p	230	+6	[illegible]	[illegible]	[illegible]	[illegible]
70	F.P.	15.6	72	62	SPRINT 50p	65		[illegible]	[illegible]	[illegible]	[illegible]
60	F.P.	15.6	56	43	Do. Warrants	45		[illegible]	[illegible]	[illegible]	[illegible]
120	F.P.	15.6	122	115	Do. Cum Pt. Prf.	118		[illegible]	[illegible]	[illegible]	[illegible]
65	F.P.	—	66	61	Spectra Auto. 10p	64		[illegible]	[illegible]	[illegible]	[illegible]
110	F.P.	15.6	122	112	Stat-Plus 5p	112		[illegible]	[illegible]	[illegible]	[illegible]
110	F.P.	15.6	142	128	[illegible]	142		[illegible]	[illegible]	[illegible]	[illegible]
95	F.P.	22.6	110	100	Sutherland (E.T.)	100		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	—	40	37	Tuskar Res. [illegible]	37		[illegible]	[illegible]	[illegible]	[illegible]
285	F.P.	8.6	320	275	Woroplex 50p	300		[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Border & S'thern 11½% Deb. Stk. 2014	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Brittannia Arrow 9% Cnv. Uns. Ln. [illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Brixton Est. 11½pc 1st Mort. Deb. 2023	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	EDF 11¾% Ln. 2009	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Eaton Fn. N V 12¾% Uns. Ln. 2014	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Finland 11½% Ln. 2009	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Int. Bk. for Rec. & Dev. 11½% Ln. 2003	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	MEPC 10½pc 1st. Mort. Deb. 2024	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Marley 11¾% Deb. 2009	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Nationwide [illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Do. [illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Portsmouth Water 7% Red. Prf. 1987	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Do. 13½% Deb. 1994	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Province de Quebec 12¾% Ln. 2020	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Trinidad & Tobago 12¾% Ln. 2009	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	York Waterworks 13% Red. Deb. 1994	[illegible]	

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price p	+ or −
85	F.P.	[illegible]	95	78	Amstrad 5p	96	
R2.6	Nil	—	[illegible]	[illegible]	Anglo American Ind. Corp.	[illegible]	
17	Nil	—	[illegible]	[illegible]	Bank of Ireland £1	[illegible]	
Ir.350	F.P.	[illegible]	[illegible]	[illegible]	BSG Intnl. 10p	[illegible]	
29	Nil	—	[illegible]	[illegible]	Benlox 10p	[illegible]	
A$7.5	A$4	[illegible]	[illegible]	[illegible]	Broken Hill Prop. A$2	[illegible]	
191	Nil	—	[illegible]	[illegible]	Ladbroke 10p	[illegible]	
120	Nil	—	[illegible]	[illegible]	Midsummer Inns £1	[illegible]	
A$4	Nil	—	[illegible]	[illegible]	Santos A0.25c	[illegible]	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. C Canadian. F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Allotment letters (or fully-paid). ‖ Introduction. ✠ Unlisted Securities Market. § Placing price. †† Official London Listing. ‡ No par value.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	77	1	25
Corpns. Dom. and Foreign Bonds ...	16	3	63
Industrials	298	186	927
Fin. and Props. ...	131	52	340
Oils	22	22	78
Plantations	—	7	13
Mines	26	54	95
Others	56	59	100
Totals	626	384	1,641

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (22)

AMERICANS (2)
Corp. Data Science, Derma-Lock Medical

CANADIANS (1)
Hollinger

BANKS (1)
Grindlays

ENGINEERING (3)
Brown & Tawse, Pratt (F.), Burgess Products

FOODS (1)
Hazlewood

HOTELS (1)
Queens Moat Houses

INDUSTRIALS (9)
Aberfoyle, Dunhill, Advance Services, NMW Computers, Beecham, Pentland Inds., Blundell-Permoglaze, Wood (Arthur), Continental Group

PAPER (2)
Valin Pollen, Waddington (J.)

SHIPPING (1)
Hunting Gibson

SOUTH AFRICANS (1)
Messina

NEW LOWS (31)

CORPORATION LOANS (1)
LCC 6¼pc 1988-90

AMERICANS (2)
Caterpillar Tractor, Ingersoll-Rand

BUILDINGS (5)
Barrett Devs., Newarthill, Burnett Hallamshire, Utd. Ceramic Dists., Meyer Internatl.

CHEMICALS (1)
Yorkshire Chemicals

STORES (4)
Dewhirst (I. J.), Kent (John), Goldberg A, Milletts Leisure

ELECTRICALS (3)
Grenwich Cable, Murray Electronics, Motorola

ENGINEERING (1)
Acrow A

INDUSTRIALS (2)
BET Defd., Central Sheerwood

MOTORS (3)
ERF, Bramall (C. D.), Arlington Motor

PAPER (1)
McCorquodale

PROPERTY (2)
Clarke Nickolls, Five Oaks Invs

TEXTILES (1)
Tomkinsons

TRUSTS (2)
Cons. Venture Trust, Mercantile House

OILS (1)
Hunting Petroleum

MINES (2)
Anglo-Am. Inv., North Kalgurli

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
June 11	June 22	Sept 13	Sept 24
June 25	July 6	Sept 27	Oct 8
July 9	July 20	Oct 11	Oct 22

For rate indications see end of Share Information Service.

Stock favoured for the call included V. W. Thermax, Jonas Woodhead, Debenhams, Churchill Oil, Bryson, Atlantic Resources, Waring and Gillow, Polly Peck, Associated Newspapers, Keep Trust, British Printing and Communication, Cluff Oil B and Allied Plants. Puts were done in Polly Peck and Burco Dean while a double was struck in Swire Pacific A.

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
B.P. (*505)	420	93	103	—	5	5	—
	460	55	68	77	6	10	13
	500	25	38	50	15	30	35
	550	7	18	28	48	55	60
Cons. Gold (*559)	460	112	—	—	1½	[illegible]	[illegible]
	500	74	84	95	4	[illegible]	[illegible]
	550	37	48	57	16	[illegible]	[illegible]
	600	13	25	35	48	[illegible]	[illegible]
	650	2	13	21	95	[illegible]	[illegible]
Courtaulds (*124)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Com. Union (*217)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
G.E.C. (*180)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met. (*328)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I.C.I. (*572)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Sec. (*280)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Sp. (*246)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans. (*673)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Barclays (*474)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imperial Gr. (*156)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LASMO (*291)	260	40	—	—	6	—	—
	280	26	40	48	12	18	22
	300	20	28	40	23	30	35
	330	10	22	24	48	52	57
	360	5	13	—	75	76	—
Lonrho (*129)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P. & O. (*308)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal (*230)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R.T.Z. (*603)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Reefs (*$130)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls June	Calls Sep.	Calls Dec.	Puts June	Puts Sep.	Puts Dec.
Beecham (*345)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots (*185)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
De Beers (*$660)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Guest Keen (*178)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson (*219)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tesco (*187)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT SE Index (*1076)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

June 11. Total Contracts 3,257. Calls 2,171. Puts 1,086.
*Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101 11/16	100½	Treas 12pc 1984	100 11/16	+1/32	11.92	9.16
105¾	103 1/16	Treas. 15pc 1985	103 3/16	...	14.54	10.00
102¾	101¼	Exch 12pc Cnv. '85	101⅜	+1/16	11.84	10.02
95¼	93⅝	Treas 3pc 1985	94 5/16	+1/16	3.18	9.30
102⅝	100 11/16	Treas 11½pc 1985	101 7/16xd	.....	11.36	10.35
99¼	97½	Treas 8½pcCnv '85	97 13/16	...	8.93	10.50
104 1/16	101⅞	Exch. 12¼pc 1985	101⅞	+⅛	12.02	10.75
103 15/16	100 13/16	Exch. 11¾pc '86	101⅛	...	11.62	10.94
102 3/16	97⅞	Treas 10pcCnv 1986	98 7/16	+1/16	10.16	10.93
90¼	88¼	Treas 3pc 1986	88 15/16	+1/16	3.37	9.38
102	98⅝	Exch. 10½pc Cv '86	99 1/16	+⅛	10.59	10.96
104 3/16	100⅞	Treas 12pc 1986	101½xd	+1/16	11.82	11.14
98¾	94½	Treas 8½pc 1984-86‡‡	95 11/16xd	+1/16	8.88	10.90
108 11/16	104 15/16	Exch. 14pc 1986	105⅛	+⅛	13.29	11.32
87¼	85	Exch. 2½pc 1986	85¼	...	2.93	9.38
107 11/16	103⅛	Exch. 13¼pc 1987	103¾	+1/16	12.77	11.51
100⅞	96 11/16	Treas 10¼%Cv '87	97⅛	+¼	10.55	11.49
86¼	83¼	Exch 2½pc 1987	83⅜	.....	3.00	9.61
101 3/16	96 13/16	Exch. 10½pc 1987	97 9/16	+⅛	10.76	11.51
92 11/16	88⅞	Funding 6½pc '85-87‡‡	88⅞	+⅛	7.33	11.21
99⅝	95 3/16	Treas. 10pc 1987	96xd	+1/16	10.42	11.62
85	81 11/16	Treas 3pc 1987	81 13/16xd	+1/16	3.66	9.95
105	100¼	Treas. 12pc 1987	101	+⅛	11.88	11.60
94¾	89⅝	Treas 7¾pc 1985-88‡‡	89⅝	.....	8.65	11.30
100⅜	95½	Exch 10½pc '88	96 7/16	+1/16	10.89	11.65
98 11/16	92 13/16	Treas 9¾pc Cv '88	93 13/16xd	+¼	10.39	11.74
82	77	Transport 3pc '78-88	77 11/16xd	.....	3.86	9.81
96 13/16	91 3/16	Treas. 9½pc '88	92½	+¼	10.27	11.72
106⅜	98 1/16	Treas 11½pc 1989	98¾	+¼	11.65	11.82
92¾	45½	Treas 9½pc Cnv. '89	91 11/16	+¼	10.35	11.76

Five to Fifteen Years

1984 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
103 3/16	93⅝	Treas 10½pc 1989	95xd	+¼	11.05	11.84
100 3/16	95⅞	Exch. 10pc 1989	97⅛	+⅛	10.80	11.95
98 11/16	93	Do. 10pc '89 A	94½	+¼	10.79	11.95
85¾	77½	Treas 5pc 1986-89	78⅞	+¼	6.40	10.45
112¼	102⅞	Treas 13pc 1990‡‡	103xd	+¼	12.48	11.96
110⅞	103	Exch. 12½pc 1990	104½	+¼	12.29	12.06
93¼	84⅞	Treas 8¼pc 1987-90‡‡	86½xd	+¼	9.57	11.50
98 15/16	90⅝	Treas 10pcCv 1990	94½	+½	10.95	11.96
107	97¼	Treas 11¾pc 1991	97¾xd	+¼	11.91	12.06
84⅛	75⅝	Funding 5¾pc '87-91‡‡	77	+¼	7.57	10.83
105⅜	95⅝	Exch. 11pc 1991	96⅞	+¼	11.53	11.93
112⅝	106⅛	Treas 12¾pc 1992‡‡	108½	+⅛	12.31	12.01
100⅝	93¼	Treas 10pc 1992	94⅝	+⅜	10.93	11.67
111¼	102½	Exch. 12¼pc '92	104½	+⅜	12.16	12.09
117¼	107⅞	Exch 13½pc 1992	109⅝	+⅜	12.67	12.19
113⅝	101¼	Treas 12½pc 1993‡‡	102xd	+⅛	12.13	11.94
78⅛	71⅛	Funding 6pc 1993‡‡	73⅛	+⅜	8.37	10.93
121¼	108⅝	Treas 13¾pc 1993‡‡	110¼	+⅛	12.56	12.03
126⅛	116⅞	Treas 14½pc 1994‡‡	118⅝	+⅛	12.66	11.92
120⅝	107⅞	Exch 13½pc 1994	109⅝	+⅛	12.51	12.09

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES—Continued

Australians

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
18	14	ACM 20c	14½		—	—	—
38	25	[illegible]	25		—	—	—
10½	4	[illegible]	6		—	—	—
19	12	[illegible]	12		—	—	—
29	20½	Australis Mng NL	21½		—	—	—
45	25	[illegible]	33	+1	—	—	—
36	24	[illegible]	24		—	—	—

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

OPTIONS — 3-month call rates

Stock	Rate	Stock	Rate	Stock	Rate
Industrials		Hawker Sidd	38	Vickers	24
Allied-Lyons	15	Hse of Fraser	26	Woolworth Hldg	58
BOC Grp	27	ICI	42		
BSR	26	'Imps'	12	**Property**	
Babcock	17	ICL	7½	Brit Land	11
Barclays Bank	45	Ladbroke	23	Cap Counties	16
Beecham	32	Legal & Gen.	45	Land Secs	25
Blue Circle	40	Lex Service	40	MEPC	25
Boots	16	Lloyds Bank	58	Peachey	17
Bowaters	25	'Lofs'	3	Samuel Props	12
Brit Aerospace	20	Lucas Inds	18	Sterling Guar.	4
BAT	25	'Mams'	14		
Brown (J.)	3	Marks & Spcr	20	**Oils**	
Burton Ord	22	Midland Bk	36		
Cadburys	11	NEI	10	Brit. Oil & Min	9
Comm Union	16	Nat West Bk	60	Brit Petroleum	35
Courtaulds	11	P & O Dfd	25	Burmah Oil	17
Debenhams	14	Plessey	20	Charterhall	9
Distillers	22	Racal Elect	18	Premier	6
Dunlop	5	RHM	8	Shell	55
FNFC	6¼	Rank Org Ord	24	Tricentrol	20
Gen Accident	42	Reed Intnl	40	Ultramar	60
Gen Electric	16	Sears	8		
Glaxo	70	TI	22	**Mines**	
Grand Met	30	Tesco	16	Charter Cons	24
GUS 'A'	55	Thorn EMI	55	Cons Gold	58
Guardian	50	Trust Houses	18	Lonrho	12
GKN	20	Turner Newall	10	Rio T Zinc	60
Hanson Tst	17	Unilever	75		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 27

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

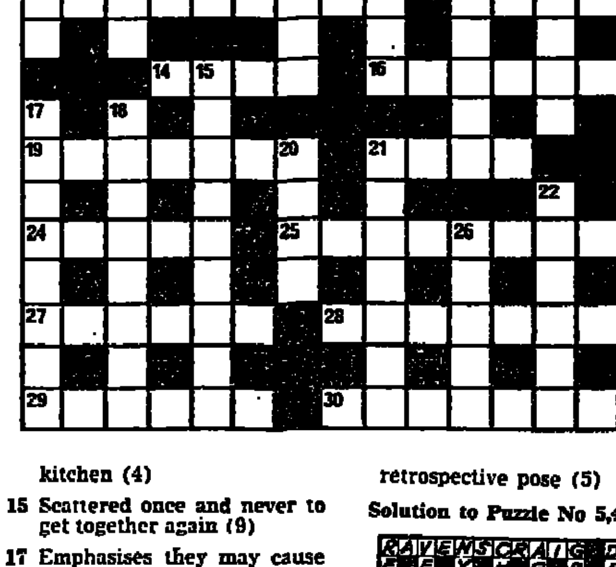
Insurances—continued

Offshore & Overseas—continued

Money Market Trust Funds

Money Market Bank Accounts

F.T. CROSSWORD PUZZLE No. 5,439



ACROSS

1 and 5 Capital news! (8, 6)

9 and 10 Home fixtures exhausting directors (8, 6)

12 Keep in mind what the host will do (9)

13 Stimulate with tale about the Orient (5)

14 Prepares to meet an invasion from Mars (4)

16 Go on—take legal action (7)

19 Sweet concoction that upset Electra (7)

21 Admits being in possession (4)

24 Mischievous out of self interest (5)

25 Oddly endearing material (9)

27 and 28 There's no telling where they may lead (6, 8)

29 and 30 Hot stuff! (6, 8)

DOWN

1 A touching type (6)

2 Responds and about turns (6)

3 Victor loses his head in the bull ring (5)

4 Tempers shown by a girl at a jumble sale (7)

6 How one may live if single-minded? (2, 4, 3)

7 Rendered an account (8)

8 Forces one to hang about instead of going to work (8)

11 Break up things in the kitchen (4)

15 Scattered once and never to get together again (9)

17 Emphasises they may cause tension (8)

18 It may provide a smoke ring that's unequalled (8)

20 Extremely irritable? (4)

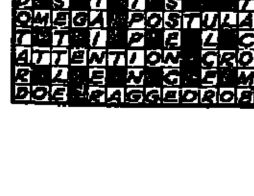
21 Frank! Look out! (4-3)

22 Australian employee of mine? (6)

23 It's knitted for a milk producer (6)

26 A fabulous writer takes a retrospective pose (5)

Solution to Puzzle No 5,438



INSURANCE & OVERSEAS MANAGED FUNDS

OFFSHORE AND OVERSEAS

[illegible]

Phoenix International
PO Box 77, St Peter Port, Guernsey. 0481 23539

Inter-Dollar Fund ...	$3 79	4.09	...	—
Far East Fund ...	$3 35	3 61	.	—
Intl. Currency Fund . .	$1.76	1 90	.	—
Dollar Fxd. Int. Fund	$3 78	4 07	.	—
Ster. Exempt Gilt Fd.	£2.30	2.48		—

Providence Capitol International Ltd.
PO Box 121, St Peter Port, Guernsey 0481 26726/9

UK Stockmarket ..	£1.558	1.676	.	—
Intl. Stockmarket. . .	$0 996	1 071		—
World Technology .	$1.287	1.384		—
N Am. Stockmarket	$0 988	1 063		—
Far East	$1 091	1 174		—
UK Fixed Interest	£1 467	1.578		—
Intl Fixed Int.	$1.133	1.219	..	—
Intl Currency .	$1.089	1 171	.	—
Sterling Mngd. Fd ...	£2.36146	—	.	—
Dollar Managed Fd	$1.119	1.204		—
Spec Markets Fd	$0 934	1 005	.	—
Swiss Franc Man Fd..	SF4.667	5.007	. . .	—

Prices on June 5 Next dealing June 12
For other prices ring 0481 26726/9
For Quest Fund Man. (Jersey) see Royal Trust Intl. Mngt.

Quilter/Heinold Commodities
31-45, Gresham Street, EC2V 7LH. 01-600 4177

Resource Fund	$147.53	—		2.08

Next dealing date July 2.

Rea Brothers (IoM) Ltd
29 Athol St, Douglas, IoM. 0624 29696.

Bond Fund	£1.22	1.28	...	8 15

WestAvon Secs (Guernsey) Ltd
Borough Hse, St Peter Port, Guernsey 0481 27963

Gilt & Option Fd	£1.15	1.20		3 00
US $ Option	$0.86	0.91		—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$11.82	—		—

Inv. Adv. M & G. Inv Mngt., Ltd., London.

Wren Commodity Management Ltd.
10, St. George's St., Douglas IoM 0624 25015

Wren Com. Fund	16.7	17 9		—
Chinese Fund ..	60.1	62 9		—
Precious Metal Fund	137 8	143.3		—
Vanguard Cmdy. Fd..	29.0	29 8		—
Financial Futures Fd	55 3	57.5		—

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U S dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's price. c Yield based on offer price d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance x Offered price includes all expenses except agent's commission y Offered price includes all expenses if bought through managers. Z Previous day's price ¶ Guernsey gross. ϕ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies ¼ Yield column shows annualised rate of NAV increase.

COMMODITIES AND AGRICULTURE

Zinc prices fall as supplies ease

BY RICHARD MOONEY

EXPECTATIONS of an easing in recent supply tightness brought sharp falls in the price of zinc on the London Metal Exchange yesterday.

Chart-inspired selling pushed the three-months price down £11.25 to £658.25 a tonne, the bottom of the market's recent trading range, and the premium for cash delivery narrowed significantly, leaving cash zinc £40.50 down on the day at £709 a tonne.

News of a 500-tonne fall in LME warehouse stocks last week to 46,150 tonnes tended to be countered by latest figures from the American *Bureau of Metal Statistics*, which showed that U.S. zinc stocks rose another 5,833 tonnes in May to 28,205 short tons.

LME copper prices also lost ground, with cash higher grade cathodes ending £8.25 lower at £999 a tonne.

LME warehouse stocks fell for the 18th week in succession to 231,725 tonnes, but at only 50 tonnes the fall was almost negligible.

The cash aluminium price fell £23.50 to £908.50 a tonne reflecting the announcement by the International Primary Aluminium Institute of an unexpectedly large rise in stocks for April. At 3.93m tonnes the figure was up 112,000 tonnes from March, about double the rise anticipated in the market.

Prices fell through established support areas triggering fresh chartist selling and stop-loss orders.

Aluminium stocks in LME warehouses dropped 275 tonnes to 147,250 tonnes.

Lead prices were firm, reflecting pessimism over prospects *for settlement of strikes at U.S. producers St Joe Minerals and* Amax.

A 3,950-tonne fall in LME lead stocks to 81,875 tonnes was in line with expectations but may also have encouraged the price rise, which left cash lead £6 up at £346.50 a tonne.

Tin stocks in LME warehouses fell 5 tonnes last week to 27,330 tonnes; nickel stocks were down 486 tonnes to 26,652 tonnes; and silver stocks rose 570,000 ounces to 49.118m ounces.

Malaysia bans log exports

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA has announced a total ban on the export of timber logs from peninsular Malaysia starting on January 1 next year.

Datuk Paul Leong, Minister of Primary Industries, said that this year's export quota was set at 41,000 cu metres, or 0.5 per cent of peninsular Malaysia's log output.

The ban on log exports is not expected to bring any hardship for loggers since most of peninsular Malaysia's logs are processed into sawn timber and other products before export.

Mills in peninsular Malaysia are operating under excess capacity, partly because of declining log output, and have to import logs from Indonesia for processing.

The ban will not apply to log *exports from the east Malaysian* states of Sabah and Sarawak.

Cocoa falls in wake of New York sell-off

COCOA prices fell yesterday in a follow-through from New York's technical sell-off on *Friday night. The September* position on the London futures market ended the day £53.50 down at £1,906.50 a tonne.

Sentiment was also reported to have been affected by a statement from Mr Denis Bra Kanon, the Ivory Coast Agriculture Minister, that the Ivory Coast will introduce measures to combat the effects of drought and ageing plantations on cocoa and coffee production.

Improved weather in Brazilian cocoa growing regions may also have influenced the decline, *dealers added.*

● LOW temperatures were recorded in the Brazilian coffee state of Parana yesterday morning but there was no damage to coffee, trade sources said. The Parana Agronomic Institute in Londrina said it recorded a minimum of 5.6 C.
minimum of 5.6 degrees C.

● NATIONAL Farmers' Union appointed Mr Warren Newman, 37, head of public relations for the London Borough of Southwark for the last six years, as its director of information.

● *INDIAN* sugar production in the first 7½ months of the season starting October 1, 1983, fell to 5.76m tonnes from 7.73m in the same period last year, the Indian Sugar Mills Association said. Total off-take to May 15 was 4.51m tonnes for domestic consumption and 601,000 tonnes for export against 3.89m and 131,00 respectively.

● INDONESIA'S national rice stocks stand at 1.34m tonnes, Mr Bustanil Arifin, head of the national logistics agency, said. Theagency aims to hold 1.8m *tonnes of rice at the end of this* financial year.

Producers are facing difficulties on three fronts. **Tim Coone reports**

Costa Rica banana industry under threat

BANANA production in Costa Rica is running into trouble on three different fronts. The multinational producers are planning to cut production because of the Government's decision last week to maintain its 70 cent export tax, while the plantation workers and the stevedores on the Atlantic coast are threatening to go on strike.

The export tax was dropped from 95 U.S. cents a box to 70 cents last December as a temporary measure in response to pressure from the main producers (United Brands, Standard Fruit and Del Monte), who were complaining of high production costs in Costa Rica.

Costa Rica has been the only member of the Union of Banana *Exporting Countries to impose* the $1 a box tax agreed upon by the producer cartel, and as a result has been the principal target of the transnationals to reduce the tax.

Last week, Sr Fernando Berrocal, the Minister of the Presidency, informed the banana companies that the tax was to stay at 70 cents a box because Costa Rica's financial position could not sustain a further reduction.

Banana company reaction has been sympathetic, but hardly supportive.

A United Brands representative in San Jose said: "We recognise the effort made by the Costa Rican Government, but that effort is still not enough. To bring the tax into line with the other producer countries, it would have to drop to 50 cents a box."

He said he expected United Brands' exports from Costa Rica *to fall from* 16.9m boxes last year to 14m-15m this year as a result of the tax. "It is a reality of the market."

Standard Fruit said no firm decision had been taken yet, but that "it would also have to take market realities into account."

Preliminary estimates by United Brands suggest that Costa Rican banana exports will fall from 52m boxes last year to about 47m this year, causing a drop in government revenues of some $3.5m in addition to the $13m fall resulting from the 25 cents tax cut.

Meanwhile talks between Standard Fruit, the biggest producer of bananas in Costa Rica, and its plantation workers over wage rises are still in deadlock.

The company has declined to sign a new collective agreement with the unions, which are now threatening to strike over a 60 per cent wage claim.

Sr Louis Zuniga, legal advisor to the union federation representing the company's 3,200 plantation workers, said: "Our studies show that the company can afford pay increases of up to 30 per cent, especially as 1983 was one of Standard's most profitable years since 1974." Average wages are about $5 a day at present.

Sr Zuniga said: "We shall do everything to avoid a strike, but if there is no progress in the negotiations in the coming week, the workers have committed themselves to strike action."

Trouble is also brewing with the stevedores. Sr Louis Soto, secretary-general of the Stevedores' Union on the Atlantic coast, said that conditions of work in Estibasa, one of the three main stevedoring companies serving the ports of Moin and Puerto Limon, had become "intolerable."

The union is pressing for the formation of a stevedores' co-operative, and if talks with the company and the Government fail, the stevedores will also strike, he said.

EEC fishing agreements with Norway in jeopardy

BY IVO DAWNAY IN BRUSSELS

THE Norwegian Government has warned the EEC that its laboriously-negotiated common fishing agreements are now under threat following the Community's unilateral declaration of quotas for herring fishermen.

An attempt by Oslo to re-open talks on the supervision of joint herring stocks was dismissed by the Commission last week, leaving Norway little alternative but to announce its own unilateral catches.

These are expected to be formally declared this week.

In a confidential letter to the *Commission, the Norwegians* have made it clear that the breakdown in talks over herring quotas threatens to spill over to longstanding agreements on other species.

Such a development would seriously undermine a key element in the EEC's Common Fisheries Policy, reached in January after years of negotiation.

The letter warns: "In the absence of resumed consultations, the Norwegian Government will have no choice but to consider measures to safeguard Norwegian fisheries' interests, and in this connection undertake a comprehensive *assessment of the quota agreements* that have been entered into between Norway and the Community."

If the breakdown does happen, Norwegian herring fishing will be confined to domestic waters from the end of July, From August, the peak herring season, Community fishermen will be under threat of arrest if they enter Norwegian waters.

The roots of the row centre on Norway's efforts to include catches of immature herring in the Total Allowable Catches recommended by scientific reports on herring stocks.

Oslo claims that Community fishermen, particularly *the Danes, may have caught as* much as 174,000 tonnes of young herring when fishing for sprat, used in factory processing for fish paste, animal feed and fertiliser.

This, they argue, is slowing the growth of the herring stock, fishing for which was banned for seven years to allow recovery.

The Community takes the view that young herring are not included in the scientific assessment of stocks due to their massive depletion through other predatory species, leaving a survival rate of one to 16.

Norway is also dissatisfied with the scientific evidence that suggests its natural share *of the total catch should be* no more than 4 per cent.

ACP states plan to fight sugar price freeze

BRUSSELS — African, Caribbean and Pacific (ACP) states, which sell 1.3m tonnes of sugar *a year to the European Community*, plan to resist EEC moves to freeze their prices in 1984-85, ACP officials said.

EEC growers have had their prices frozen for the marketing year from July 1 and European Commission officials say there is no scope within the 1975 ACP-EEC sugar protocol for offering ACP producers more.

ACP producers have never obtained a higher rise than EEC producers.

The protocol, negotiated *when world prices* were at record highs and when EEC beet output was about 11 per cent short of demand, states that the ACP price must be set "within the price range obtaining in the Community."

The EEC now has a big sugar surplus, and reorganisation of the sugar market from 1979 has eliminated a range of prices, leaving only two intervention prices—one for whites and one for raws.

ACP officials argue that a clause in the protocol saying that all relevant economic factors must be taken into account means that the ACP's high production costs should also be considered.

For 1983-84, the ACP accepted a 4 per cent rise and a guaranteed price of Ecu 443.4 a tonne of sugar, white value, after six months of pressing for the 9.5 per cent increase received the year before.

They say a price freeze, the worst deal offered so far under the protocol, would be a disastrous blow to sugar-dependent *ACP economies and a further* strain on relations with the EEC.

PRICE CHANGES

In tonnes unless stated otherwise	June 12 1984	+ or —	Month ago
Metals			
Aluminium	£1100	......	£1100
Free Mkt	$1570/1400	......	$1550/580
Copper			
Cash h Grade	£999	—8.25	£1010.5
3 mths	£1020.25	—7.5	£1028
Cash Cathode	£1003.5	—7.5	£1009
3 mths	£1018.5	—8.0	£1021
Gold troy oz.	$378	—8.5	$373
Lead Cash	£346.5	+6	£312.5
3 mths	£347.75	+4.5	£318.75
Nickel	£5097	......	£4988
Free Mkt	215/235c	......	215/235c
Palladium oz	$151.50	—1	$152.25
Platinum oz	$386.50	—2	$385
Quick silver†	$285/395	......	$300/315
Silver troy oz	644.95p	—7.95	637.55p
3 mths	659.80p	—7.60	652.00p
Tin cash	£9135	+39.5	£9060
3 months	£9072.5	+47	£9027.5
Tungsten	$84.14	......	$83.51
Wolfram 22.04lb	$88/89	......	$85/89
Zinc	£709	—40.5	£696
3 mths	£658.25	—11.2	£665.5
Producers	$1050/1080	......	$1050/109

	June 12 1984	+ or —	Month ago
Oils			
Coconut (Phil)	‡	......	$1525
Groundnut	‡	......	$1180
Linseed Crude	‡	......	‡
Palm Malayan	$625t	......	$915
Seeds			
Copra Phil	$630x	—10	‡
Soyabean (U.S.)	$322.2	......	$347.5
Grains			
Barley Fut. Sep.	£106.80	—0.30	£106.35
Maize	£151.50	......	£147.00
Wheat Fut. Sep.	£107.45	—0.15	£126.75
No2 Hard Wint	‡	......	‡
Other commodities			
Cocoa ship't*	£1971.5	—38.5	£2004
Futures Sep	£1906.5	—53.5	£1938
Coffee Ft. Sep	£2281.0	+31	£2272.5
Cotton A Index	85.15c	......	89.25c
Gas Oil July	$242.75	—3.00	$245.75
Rubber (kilo)	64.50	......	72.5p
Sugar (raw)	£108.60x	—1	£105
Woolt'ps 64s	475p kilo	—1	476p kilo

‡ Unquoted. v July. y July-Aug. x June-July. † Per 75 lb flask. * Ghana cocoa. n Nominal. c Cents per pound.

LONDON OIL

The market began the day unchanged to a shade weaker and drifted a shade lower in very thin conditions with most of Europe on holiday. During the afternoon prices moved quickly lower as New York weakened, reports Premier Man.

Turnover: 1,422 (1,458) lots of 100 tonnes.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	28.28-28.40	—0.07
Dubai Fateh	28.07-28.20	—0.02
Arab Heavy	27.10-27.20	—
North Sea (Forties)	29.40-29.50	—0.07
North Sea (Brent)	29.60-29.70	—
African/BonnyLi'ht	29.75-29.80	+0.05

PRODUCTS—North West Europe ($ per tonne)

Premium gasoline	274-278	—1
Gas Oil	241-244	+0.5
Heavy fuel oil	179-182	+0.5

GAS OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
June	242.50	—2.75	245.00-42.50
July	242.75	—3.00	245.25-42.75
Aug.	244.75	—2.50	247.25-44.75
Sept.	246.75	—2.75	249.25-46.75
Oct.	249.50	—2.50	252.00-49.00
Nov.	252.00	—2.25	254.25-52.00
Dec.	252.50	—3.00	256.50-54.00
Jan.	253.00	—3.25	—
Feb.	254.50	—3.00	—

GOLD MARKETS

Gold fell $8½ an ounce from Friday's close in the London bullion market yesterday to finish at $377¾-378¼, its lowest level since May 24. The metal opened at $383¾-383¾ and touched a high of $383¾-384¼ before easing gently through a morning fixing of $383.60 and $382.50 in the afternoon. Thet metal came under pressure late in the day, coinciding with a strong demand for the dollar as short-term U.S. interest rates strengthened.

LONDON FUTURES

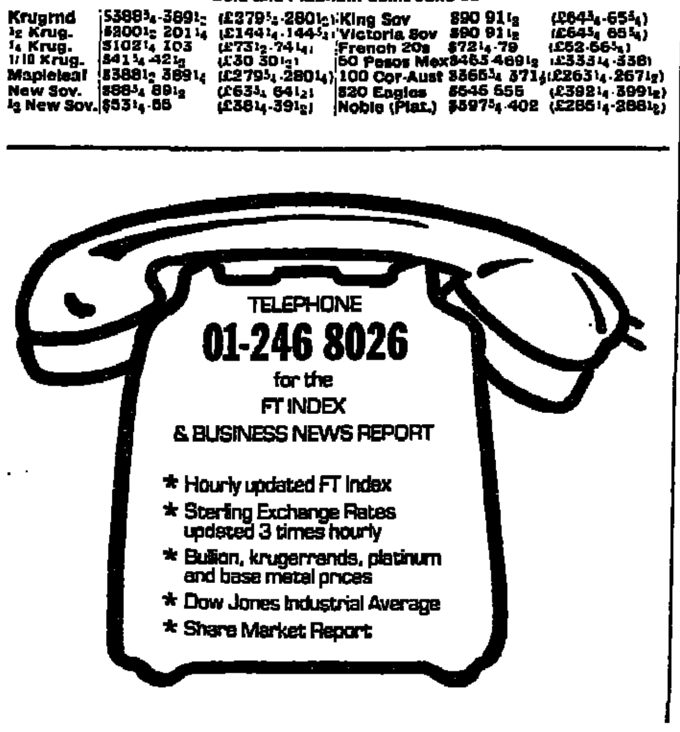
Month	Yest'days close	+ or —	Business Done
	$ per troy ounce		
June	—	—	—
Aug	387.20-87.40	—5.40	390.00-86.90
Oct.	394.80-95.30	—5.60	—
Dec	403.00-05.30	—6.55	—
Feb.	412.80-16.40	—5.65	—
April	420.80-21.50	—	—

Turnover: 147 (458) lots of 100 troy ounces.

	June 11		June 8	
Gold Bullion (fine ounce)				
Close	$377¾-378¼	(£271¼-271¾)	$386¼-386¾	(£277¾-278¼)
Opening	$383¼-383¾	(£274¾-275¼)	$389-389½	(£278¼-278¾)
Morning fixing	$383.6	(£274.726)	$387.10	(£277.630)
Afternoon fixing	$382.50	(£273.899)	$386	(£276.941)

Gold and Platinum Coins June 11

Krugrnd	$388¾-389½	(£279½-280½)	King Sov	$90-91½	(£64¾-65¾)
½ Krug.	$200½-201¼	(£144¼-144¾)	Victoria Sov	$90-91½	(£64¾-65¾)
¼ Krug.	$102¼-103	(£73½-74¼)	French 20s	$72¼-79	(£52-56¾)
1/10 Krug.	$41¼-42½	(£30-30½)	50 Pesos Mex	$465-469½	(£333¼-336)
Mapleleaf	$388½-389¼	(£279¾-280¼)	100 Cor-Aust	$365¾-371½	(£263¼-267½)
New Sov.	$88¾-89½	(£63¾-64½)	$20 Eagles	$545-555	(£392¼-399½)
½ New Sov.	$53¼-55	(£38¼-39½)	Noble (Plat.)	$397¾-402	(£285¼-288½)



BRITISH COMMODITY PRICES

BASE METALS

BASE-METAL PRICES lost ground on the London Metal Exchange, with the exception of Tin, which was boosted by physical covering and closed at £9,090 and Lead, finally £348 in the wake of sizeable Commission House buying. Copper prices fell away throughout the session depressed by the downturn in precious metals and the much smaller than expected stocks decline; three months metal closed the late Kerb at £1,022 but later retreated to trade around £1,013.5 in inter-office dealings. Zinc fell sharply with speculative short selling causing a sharp contraction in the backwardation from £85 to £35 at one point. Forward Zinc fell away from £685 to close at £649.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	101.5-2.5	-2.75	998.5-9.5	-8.25
3 months	1024-.5	—.5	1020-.50	—7.5
Settlem't	1002.5	—2.5	—	......
Cathodes				
Cash	1007-8	—1	1003-4	—7.5
3 months	1023-4	—.25	1018-9	—8
Settlem't	1008	—1	—	......

Amalgamated Metal Trading reported that in the morning cash Higher Grade traded at £1,002, three months £1,023, 22, 22.50, 23, 23.50, 24, 23, 23.50, 23, 24, 24.50, 25, 24. Kerb: Higher Grade: Three months £1,023, 24, 25, 25.5, 26. Afternoon: Higher Grade: Three months £1,022, 21, 22, 21.50, 21, 20, 20.50, 20, 19.50, 20. Cathodes: Cash £1,004. Three months: untraded. Kerb: Higher Grade: Three months £1,019, 18, 19, 18.50, 19, 19.50, 20. Turnover: 37,825 tonnes. U.S. Producers: 69-72 cents a pound.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	9135-45	+25	9130-40	+15
3 months	9070-5	+1.5	9100-5	+52.5
Settlem't	9145	+25	—	......
Standard				
Cash	9100-5	+5	9130-40	+59.5
3 months	9040-5	+17	9070-5	+47
Settlem't	9105	+5	—	......
Straits E	$29.19	......	—	......

Tin—Morning: Standard: Cash £9,105, three months £9,030, 35, 40. High grade: Three months £9,071. sKerb: Standard: Three months £9,045, 40. Afternoon: Standard: Three months £9,045, 55, 64, 70. High Grade: Three months £348, 47, 46.50, 47, 48, 49, 48.50, 48, 47.50. Kerb: Standard: Three months £9,075, 80, 85. Turnover: 1,535 tonnes.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	346-.5	+7.75	346-7	+6
3 months	346-7	+5.25	347.5-348	+4.5
Settlem't	346.5	+7.5	—	......

Lead—Morning: Cash £346.50, three months £345, 45.50, 46, 46.50, 47, 47.50, 47, 46.50. Kerb: Three months £346, 45, 45.5. Afternoon: Three months £346, 47, 46.50, 47, 48, 49, 48.50, 48, 47.50. Kerb: Three months £348, 47, 47.5, 48. Turnover: 16,575 tonnes. U.S. Spot: 26-30 cents a pound.

ZINC

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	699-700	—66	708-10	—40.5
3 months	660-1	—14.5	658-.5	—11.2
Settlem't	700-66	—66	—	......

Zinc—Morning: Cash £704, 02, 700, 699, three months £664, 63.50, 63, 62, 60. Kerb: Three months £660, 59, 58, 57. Afternoon: Cash £705, 03, 05, 06, three months £659, 58, 57, 56, 57, 58. Kerb: Three months £658, 58.5, 58, 57, 56, 55, 54, 52, 50, 49, 48. Turnover: 19,700 tonnes. U.S. Prime Western: 52.75-53.75 ents a pound.

ALUMINIUM

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	906-7	-21.2	908-9	—23.5
3 months	921-.53	—18.5	925-4	—22.2

Aluminium—Morning: Three months £928, 27, 26, 26.50, 27, 27.50, 27, 26.50, 27, 26, 25, 24, 24.50, 23, 22, 21.50, 22. Kerb: Three months £923, 24.5, 24. Three months £924, 25, 26.5, 26, 25, 26. Turnover: 35,300 tonnes.

NICKEL

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	3431-4	+5	3432-5	—14
3 months	3511-2	+4.5	3512-5	—8

Nickel — Morning: Three months £3,515, 12, 11, 10, 12. Afternoon: Three months £3,510, 15. Kerb: Three months £3,520. Turnover: 585 tonnes.

SILVER

Silver was fixed 7.95p an ounce lower for spot delivery in the London bullion market yesterday at 644.95p. U.S. equivalents of the fixing levels were: spot $9.008, down 11.3c; three-month $9.269, down 10.6c; six-month $9.558, down 8.7c; and 12-month $10.197, down 10.1c. The metal opened at 646-649p ($9.01-9.04) and closed at 639-642p ($8.90-8.93).

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffial	+ or —
Spot	644.95p	-7.95	638.5p	-14.0
3 months	659.80p	-7.60	653.5p	-14.2
6 months	675.95p	-6.95	—	......
12months	710.85p	-7.85	—	......

LME—Silver (2,000 oz contract): Cash 638.5p (652.5p); three months 653.5p (667.75p).

Turnover: 62 (129) lots of 10,000 oz. Morning: Large three months 662.0, 61.5, 63.0, 62.0. Afternoon: Large three months 657.0. Small three months 659.0. Kerb: Large three months 650, 51.5, 52, 51.5.

COCOA

Futures opened limit down as due and during an active day lost further ground to a final call £50 off on the day. Physicals were featureless and limited to light secondhand trading reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
July	1964-65	—38.0	1971-50
Sept	1906-07	—53.5	1930-05
Dec	1778-80	—35.5	1795-76
March	1742-44	—28.5	1756-41
May	1752-60	—25.0	1768-52
July	1762-70	—22.0	1780-71
Sept	1775-90	—20.0	—

Turnover: 4,185 (4,349) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound): daily price for June 11: 114.54 (117.95); five-day average for June 12: 116.99 (118.19).

COFFEE

During a quiet session early losses *were recovered as light trade and dealer* buying encouraged a gradual rise. Lower sterling and a firmer New York market influenced additional gains towards the close for prices to settle around the days highs, reports Drexel, Burnham, Lambert.

COFFEE	Yesterd'ys Close	+ or —	Business Done
July	2263-65	+19.0	2265-10
Sept	2280-82	+31.0	2285-25
Nov	2286-89	+21.5	2292-40
January	2245-46	+23.0	2246-13
March	2180-85	—	2184-60
May	2140-42	—10.0	2132-25

Sales: 103 (101) lots of 100 tonnes; 4 (0) lots of 20 tonnes.

GRAINS

Business done—Wheat: July 132.70-1.00, Sept 107.45-7.30, Nov 110.50-0.15, Jan 113.50-3.35, Mar 116.30-6.15, May 119.15-8.95. Sales: 198 lots of 100 tonnes. Barley: Sept 106.80-6.60, Nov 10.25-9.90, Jan 113.00 only, Mar 115.70-5.50, May 118.20-8.00. Sales: 73 lots of 100 tonnes.

July wheat was fairly quiet reaching 75p up on good physical demand before declining on profit taking to close at day's low. New crops came under pressure with some wheat/barley switching noted. Wheat improved slightly from lows on profit taking, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterd's close	+ or —
July	131.00	—0.85	—	—
Sept.	107.45	—0.15	106.80	—0.30
Nov	110.35	—0.25	110.00	—0.35
Jan	113.40	—0.20	112.85	—0.45
Mar	116.25	—0.20	115.60	—0.45
May	119.10	—0.30	117.95	—0.45

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 1 14 per cent, July 138.75, Aug 138.75, Sept 135.25, sellers transhipment East Coast, English Feed Fob, June 133.50, Sept 110, Oct/Dec 115, Jan/Mar 119, sellers transhipment East Coast. Maize: U.S. No 3 Yellow/French, June 152.50, seller East Coast. Barley: English Feed Fob, June 127, July/Aug 110, Aug 108, Sept 110, sellers East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed wheat: E. Mids 130.60. Feed barley: E. Mids 121.60, Scotland 121.90. The UK monetary coefficient for the week beginning Monday June 18 (based on HGCA calculations using four days exchange rates) is expected to remain unchanged.

PIGMEAT

POTATOES

RUBBER

SOYABEAN MEAL

SUGAR

WOOL FUTURES

MEAT/FISH

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 103.52p per kg lw (—1.66): GB—Sheep 149.50p per kg est dcw

INDICES

TEA AUCTIONS

COTTON

AMERICAN MARKETS

Commodity markets were on the defensive with the general psychology responding with expectations of easier *prices following the agreement between* Iran and Iraq not to attack civilian populated areas in either territory. The easing of Middle East tensions was the trigger for general liquidation in precious metals for which the strong dollar provided a nearly incentive. The magnitude of the decline was a real *disappointment especially after prices* headed for new contract lows. The copper market was decimated with massive liquidation forcing prices sharply lower. Lack of commercial support and heavy arbitrage selling gave the eroding market no relief. Aluminium prices were hit equally hard as copper suffered one of the sharpest *selloffs in recent months as the trade* showed no willingness to support the market and technical selling accelerated on the downside. Sugar traded moderately lower as speculative selling developed in line with the general negative psychology. Coffee held steady and managed to close slightly higher on active roaster support and continued concern about low temperatures in Brazil in the week ahead. Cocoa was victimised by heavy arbitrage selling as well as technically oriented liquidation.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
June	5840	—	—	6080
July	5880	6020	5875	6120
August	5930	—	—	6170
Sept	5990	6100	5980	6225
Dec	6150	6280	6175	6370
Jan	6205	—	—	6425
March	6315	—	—	6530
May	6425	—	—	6635
July	6535	—	—	6740
Sept	6645	—	—	6845

COFFEE "C" 37,000 lb, cents/lb

SILVER 5,000 troy oz, cents/troy oz.

	Close	High	Low	Prev
June	863.0	—	—	902.5
July	868.0	908.0	865.0	908.0
August	876.8	—	—	917.1
Sept	885.8	926.0	882.0	926.5
Dec	914.4	956.0	914.0	955.7
Jan	924.4	964.0	950.0	965.9
March	944.4	985.0	949.0	986.4
May	—	—	—	934.0
July	987.7	1027.5	983.0	1030.7
Sept	1011.3	1050.0	1019.0	1054.8

SUGAR WORLD "11" 112,000 lb, cents/lb

COCOA 10 tonnes, $/tonnes

COTTON 50,000 lb, cents/lb

COPPER 25,000 lb, cents/lb

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

GOLD 100 troy oz, $/troy oz

ORANGE JUICE 15,000 lb, cents/lb

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

PLATINUM 50 troy oz, $/troy oz

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

LIVE HOGS 30,000 lb, cents/lb

MAIZE 5,000 bu min, cents/56 lb bushel

PORK BELLIES 38,000 lb, cents/lb

SOYABEANS 5,000 bu min, cents/60lb bushel

SOYABEAN MEAL 100 tons, $/ton

SOYABEAN OIL 60,000 lb, cents/lb

WHEAT 5,000 bu min, cents/60lb-bushel

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Late dollar surge

The dollar attracted late demand in currency markets yesterday, having spent most of the day confined to a narrow range. Fears of higher U.S. interest rates, highlighted by a stronger Federal funds rate, pushed the dollar firmer in thin trading. There was little else for the market to focus its attenion on. Longer term rates were hardly changed however and there were suggestions that the sharp increase in short term rates reflected more of a technical nature than a shift in U.S. monetary policy. However those participating—most of Europe was closed for Whit Monday—appeared to be in no mood to run short on dollars.

The dollar closed at DM 2.7140 from DM 2.6980 and SwFr 2.2640 compared with SwFr 2.2490. It was higher in terms of the yen at Y231.85 from Y231.65 and FFr 8.3350 from FFr 8.30. On Bank of England figures the dollar's trade weighted index eased to 130.4 from 130.5. The market is now looking ahead to the string of U.S. economic statistics due for release later this week.

STERLING — Trading range against the dollar in 1984 is 1.4905 to 1.3805. May average 1.3903. Trade weighted index 79.6 against 79.6 at noon and 79.5 in the morning and compared with 79.6 on Friday and 82.6 six months ago.

Sterling finished little changed from Friday according to its trade weighted index but it lost ground against the dollar in late trading to finish at $1.3895 from $1.3950 on Friday and a high of $1.3985. It recovered from a weaker start against the D-mark to finish at DM 3.7675 from DM 3.7625 and SwFr 3.1450 from SwFr 3.1375. It was unchanged against the French franc at FFr 11.58 but lost ground to the yen to Y321.75 from Y323.0.

ITALIAN LIRA — Trading range against the dollar in 1984 is 1,720.75 to 1,591.00. May average 1,695.39. Trade weighted index 48.4 against 49.1 six months ago.

The lira was slightly firmer overall at yesterday's fixing in Milan. Trading was extremely quiet with the rest of Europe closed. The dollar fell to L1,669.9 from L1,671.5 on Friday with the Bank of Italy buying $3.2m of the $14.25m traded. The D-mark was also weaker at L620.70 from L620.93 and the authorities bought DM 3m out of DM 18.3m traded. The D-mark continued to suffer a loss of confidence due to the strike by metal workers.

JAPANESE YEN — Trading range against the dollar in 1984 is 234.80 to 223.10. May average 230.46. Trade weighted index 157.4 against 154.3 six months ago.

The dollar lost ground in rather featureless trading in Tokyo. Trading was confined to a narrow range in the absence of any positive trend in interest rates. The U.S. unit closed at Y231.25 down from an opening level of Y231.55, which proved to be the day's high, and Y231.60 in New York. It was little changed from Friday's close in Tokyo however of Y231.20. The D-mark was also weaker, easing to Y85.92 from Y86.03 in New York and Y85.98 in Tokyo on Friday.

The dollar's failure last week to breach the Y232 level may have brought the extent of its upward potential more sharply into focus although it remains underpinned by the relative strength of U.S. interest rates. Yesterday's announcement of a Japanese trade surplus in May of $1.854bn had little effect on trading.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.5496	+1.44	+1.40	±1.5447
Danish Krone ...	8.14104	8.20290	+0.76	+0.72	±1.6425
German D-Mark	2.24184	2.23173	−0.45	−0.49	±1.0842
French Franc ...	6.87456	6.86618	−0.12	−0.16	±1.4052
Dutch Guilder ...	2.52595	2.51696	−0.36	−0.40	±1.4964
Irish Punt	0.72569	0.729470	+0.52	+0.48	±1.6699
Italian Lira	1403.49	1385.76	−1.26	−1.26	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ in New York (latest)

	June 11	Prev. close
Spot	$1.3860-3870	$1.3945-3965
1 month	0.23-0.25 dis	0.22-0.24 dis
3 months	0.80-0.85 dis	0.80-0.82 dis
12 months	3.80-3.87 dis	3.80-3.85 dis

£ forward rates are quoted in U.S. cents discount.

THE POUND SPOT AND FORWARD

June 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3865-1.3985	1.3890-1.3900	0.22-0.25c dis	−2.03	0.79-0.83ds	−2.33
Canada	1.8065-1.8165	1.8065-1.8075	0.32-0.40c dis	−2.38	1.15-1.25ds	−2.84
Nethlnd.	4.23-4.25¾	4.24½-4.25½	1⅛-1c pm	3.18	3½-3¼pm	3.12
Belgium	76.55-76.90	76.65-76.75	12-19c dis	−2.43	42-52dis	−2.45
Denmark	13.78½-13.86	13.84-13.85	1.85-2.80ore dis	−2.02	3.60-4.70ds	−1.20
Ireland	1.2270-1.2345	1.2270-1.2290	0.23-0.33p dis	−2.73	0.85-1.00ds	−3.03
W. Ger.	3.75-3.77¾	3.76¼-3.77¼	1⅛-1pm pm	3.58	3⅝-3¼pm	3.45
Portugal	192.80-194.60	192.80-193.30	130-175c dis	−4.05	320-795ds	−11.55
Spain	211.30-212.50	212.25-212.50	110-135c dis	−6.92	350-385ds	−6.92
Italy	2328-2334	2329-2331	9-12lire dis	−5.41	31-34dis	−5.58
Norway	10.73½-10.77¾	10.76¼-10.77¾	2.70-3.60ore dis	−3.51	8.50-9.50ds	−3.34
France	11.52¾-11.58½	11.57½-11.58½	3¼-3½c dis	−3.43	11¾-12¼ds	−4.15
Sweden	11.15-11.19½	11.18½-11.19½	1.75-2.70ore dis	−2.38	5.40-6.45ds	−2.12
Japan	321½-323¼	321¼-322¼	0.80-0.72y pm	2.83	2.47-2.38pm	3.00
Austria	26.37-26.45	26.38-26.43	5½-3¼gro pm	2.10	17½-12½pm	2.26
Switz.	3.13-3.16	3.14-3.15	1½-1¼c pm	5.48	4¾-4½pm	5.41

Belgian rate is for convertible francs. Financial franc 78.10-78.20. Six-month forward dollar 1.76-1.81c dis. 12-month 3.78-3.88c dis.

THE DOLLAR SPOT AND FORWARD

June 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3865-1.3985	1.3890-1.3900	0.22-0.25c dis	−2.03	0.79-0.83ds	−2.33
Ireland†	1.1270-1.1375	1.1270-1.1280	0.09-0.04c pm	0.69	0.20-0.12pm	0.56
Canada	1.2985-1.3020	1.3010-1.3015	0.02-0.04c dis	−0.28	0.06-0.08ds	−0.21
Nethlnd.	3.0325-3.0600	3.0580-3.0600	1.35-1.25c pm	5.13	4.20-4.05pm	5.43
Belgium	54.85-55.35	55.31-55.33	½-3c dis	−0.44	1-4dis	−0.18
Denmark	9.88½-9.95	9.94¼-9.94¾	¼ore pm-¼ dis	—	3-2½pm	1.11
W. Ger.	2.6875-2.7150	2.7135-2.7145	1.27-1.25pf pm	5.61	3.88-3.84pm	5.73
Portugal	139.00-139.50	139.00-139.50	par-100c dis	−4.31	150-485dis	−9.12
Spain	151.90-153.05	152.85-153.05	55-70c dis	−4.92	160-190dis	−4.60
Italy	1669-1680	1678½-1679½	4¾-5¼lire dis	−3.59	14-15dis	−3.47
Norway	7.7000-7.7400	7.7325-7.7375	0.70-1.20ore dis	−1.48	1.70-2.20ds	−1.01
France	8.2700-8.3375	8.3325-8.3375	0.75-1.05c dis	−1.30	3.40-3.90ds	−1.76
Sweden	8.0025-8.0450	8.0375-8.0425	par-½ore dis	−0.37	0.65-0.15pm	−0.45
Japan	230.75-231.90	231.80-231.90	0.97-0.95y pm	4.98	3.08-3.04pm	5.29
Austria	18.90-19.03	19.01-19.02	7-6gro pm	4.12	23-20pm	4.54
Switz.	2.2425-2.2645	2.2635-2.2645	1.43-1.33c pm	7.37	4.37-4.27pm	7.69

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 56.20-56.25.

OTHER CURRENCIES

June 11	£	$		£ Note Rates
Argentina Peso ..	64.00-64.14	46.85-45.91	Austria	26.25-26.55
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* Selling rates.

CURRENCY MOVEMENTS

June 11	Bank of England Index	Morgan Guaranty Changes%
Sterling	79.6	−11.4
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 11	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.749377	Unav'ble
U.S. $	9	1.04673	N/A
[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

June 11	Pound St'rling	U.S. Dollar	Deutsche m'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.390	3.768	321.8	11.58	3.145	4.250	2330.	1.807	76.70
U.S. Dollar	0.720	1.	2.714	231.9	8.335	2.264	3.059	1679.	1.301	55.32
Deutschemark	0.265	0.369	1.	85.40	3.074	0.835	1.128	618.4	0.480	20.36
Japanese Yen 1,000	3.108	4.319	11.71	1000.	35.99	9.775	13.21	7242.	5.616	238.4
French Franc 10	0.864	1.200	3.253	277.8	10.	2.716	3.670	2012.	1.560	66.23
Swiss Franc	0.318	0.442	1.198	102.3	3.682	1.	1.351	740.9	0.575	24.39
Dutch Guilder	0.235	0.327	0.886	75.71	2.725	0.740	1.	548.2	0.425	18.05
Italian Lira 1,000	0.429	0.596	1.617	138.1	4.970	1.350	1.824	1000.	0.776	32.92
Canadian Dollar	0.553	0.769	2.085	178.1	6.408	1.740	2.352	1289.	1.	42.45
Belgian Franc 100	1.304	1.812	4.912	419.5	15.10	4.100	5.541	3038.	2.356	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

June 11	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
Short term	9-9⅛	11⅛-11¼	12¼-12½	5⅞-6⅛	2⅛-2⅜	5⅛-5¼	12-12¼	14-15	11-11⅛	11-11½	6⅛-5⅞	10¾-11¼
7 days' notice ...	9-9⅛	10⅞-11⅛	11½-12	5⅞-6	2⅛-2⅜	5¼-5⅜	12-12¼	14½-15½	11-11½	11⅛-11¾	5⅝-5¾	11-11½
Month	9⅛-9¼	11⅛-11⅛	11⅝-11⅞	5⅞-6⅛	3⅛-3⅞	5½-5⅝	12¼-12½	14¾-15¼	11¼-11¾	11⅝-11⅞	6⅛-6¼	10⅞-11⅛
Three months	9⅜-9½	11½-11⅝	11⅞-11⅞	6⅛-6¼	3⅞-3⅞	5¾-5⅞	13¼-13½	14⅞-15⅜	11½-12	11¾-12	6¼-6⅜	10¾-11¼
Six months	9¾-9⅞	12¼-12⅜	12⅜-12⅝	6⅛-6½	4⅛-4¼	6⅛-6⅛	14¼-14½	15¾-16⅛	12¼-12¾	11⅞-12⅛	6⅜-6⅝	11-11½
One year	10⅜-10½	13¼-13⅜	13⅞-13⅝	6⅞-7	4⅞-4⅞	6⅜-6¾	15⅛-15⅝	17-17½	13-13½	12-12¼	6⅞-6⅞	11⅜-11⅞

Asian $ (closing rates in Singapore): Short-term 10$\frac{13}{16}$-10$\frac{15}{16}$ per cent; seven days 10⅞-11 per cent; one month 11⅛-11¼ per cent; three months 11½-11⅝ per cent; six months 12⅛-12½ per cent; one year 13¼-13⅜ per cent. Long-term Eurodollars: two years 13¾-14 per cent; three years 14-14¼ per cent; four years 14¼-14½ per cent; five years 14¼-14½ per cent nominal closing rates. Short-term rates are call for U.S. banks and Japanese yen; two days' notice.

FINANCIAL FUTURES

Eurodollars ease

Euro-dollar prices lost ground in the London International Financial Futures Exchange yesterday. Values were marked down as the market reacted to a firmer Federal funds rate. An opening level of 10⅞ per cent had been expected after Friday's close of 10⅞ per cent but funds opened at 11¼ per cent, pushing prices weaker and rekindling fears that the U.S. authorities may be quietly taking a tighter monetary stance.

Such a move could reflect concern over inflationary trends and rumours of a possible surge in U.S. money supply. The long term effects of higher U.S. interest rates on third world debtor nations appeared to hold little sway. The September price opened at 87.29 up from 87.26 and touched a best level of 87.34 before retreating to close at 87.20, barely up from the day's low of 87.19.

Gilt values also finished at the day's lows as U.S. Treasury bonds lost ground. Early quotations had shown an improvement over Friday, mirroring a similar trend in the cash market. The higher level of Fed funds and the dollar's late rise prompted some profit taking however and the September gilt closed at 102—25 down from an opening level of 103-05 and Friday's close of 102-29.

Short sterling finished above the day's lows as cash rates maintained a slightly softer tone where changed. Sentiment was also helped by sterling's relative stability and receding fears in the short term of a rise in UK base rates.

FT-SE contracts were also firmer as the FT 30 share index finished with a 6.7 gain to 838.1. The June price opened at 106.80 up from 106.00 and finished at 106.85.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

[illegible]

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

[illegible]

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

STERLING £25,000 $ per £

[illegible]

DEUTSCHE MARKS DM 125,000 $ per DM

[illegible]

SWISS FRANCS SwFr 125,000 $ per SwFr

[illegible]

JAPANESE YEN Y12.5m $ per Y100

[illegible]

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	106.00
Sept	[illegible]	[illegible]	[illegible]	105.25
Dec	[illegible]	[illegible]	[illegible]	105.75

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	61-29
Sept	[illegible]	[illegible]	[illegible]	61-04
Dec	[illegible]	[illegible]	[illegible]	60-79
March	[illegible]	[illegible]	[illegible]	60-05
June	[illegible]	[illegible]	[illegible]	59-26
Sept	[illegible]	[illegible]	[illegible]	59-17
Dec	[illegible]	[illegible]	[illegible]	59-09
March	[illegible]	[illegible]	[illegible]	59-02

U.S. TREASURY BILLS (IMM) $1m points of 100%

[illegible]

CERT DEPOSIT (IMM) $1m points of 100%

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

STERLING (IMM) Se per £

[illegible]

GNMA (CBT) 8% $100,000 32nds of 100%

[illegible]

MONEY MARKETS

UK rates slightly easier

Interest rates were a little easier in London yesterday in rather quiet trading. Euro-dollar rates showed little change after a softer start at the longer end with Fed funds quoted up to 11¼ per cent compared with 10⅞ per cent on Friday. However sterling's relative stability and prospects of a reasonably comfortable week in the supply of short term funds enabled rates to ease a little.

Three-month eligible bank bills were bid at 8$\frac{15}{16}$ per cent unchanged from Friday while three-month sterling CDs slipped to 9⅜-9¼ per cent from 9$\frac{7}{16}$-9$\frac{5}{16}$ per cent. Three-month interbank money was lower at 9⅜-9¼ per cent compared with 9$\frac{7}{16}$-9$\frac{5}{16}$ on Friday. Overnight interbank money opened at 9-9¼ per cent and eased to a low of 8¼ per cent before finishing at 9 per cent.

UK clearing banks' base lending rate 9-9¼ per cent (since May 10 and 11)

The Bank of England forecast a shortage of around £200m with factors affecting the market including maturing assistance and a take-up of Treasury bills together draining £254m and Exchequer transactions a further £125m. In addition banks brought forward balances £40m below target. On the other hand there was a fall in the note circulation of £230m.

The forecast was later revised to a shortage of around £100m and the Bank gave assistance in the morning of £98m. This comprised purchases of £3m of eligible bank bills in band 1 (up to 14 days) at 9$\frac{1}{16}$ per cent and £4m in band 2 (15-33 days) at 9 per cent. In band 3 (34-63 days) it bought £12m of eligible bank bills at 8$\frac{15}{16}$ per cent and in band 4 (64-91 days) £79m at 8⅞ per cent.

There was no further intervention in the afternoon but the Bank did provide late assistance of £70m, making a total of £168m.

In Tokyo unconditional call money eased to 5.75-5.8125 per cent from 5.8125-5.875 per cent on Friday. A firmer trend may well develop later in the week however when the market faces a drain of some Y500bn as tax payments are made and Y600bn accounted for by the Government's latest 15-year bond offering. On the other hand Y1,000bn of Treasury bills are dut to mature this week which will go a long way to balancing market flows. The drain on funds appears likely to continue however as companies prepare to withdraw sizeable amounts in order to pay half-yearly bonuses.

MONEY RATES

June 11	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.5-5.55	12⅛	1⅛-2½	5⅞-6	5.78125	16¼-16⅝	9.50	11⅜-11⅝
One month	5.65-5.75	12$\frac{1}{16}$-12$\frac{3}{16}$	3⅛-3⅞	5⅞-6	6.15625	16¼-16⅝	11⅝-11⅞	12-12¼
Two months	5.85-6.00	12⅛-12¼	—	—	—	—	—	12¼-12½
Three months	6.05-6.15	12¼-12⅜	3¾-3⅞	6$\frac{1}{16}$-6$\frac{3}{16}$	6.28125	16½-16⅞	11¾-12	12⅜-12⅝
Six months	6.25-6.40	12½-12⅝	—	6¼-6⅜	—	—	11⅞-12⅛	12⅝-12⅞
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	11¾	—	5⅞	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

June 11 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 days notice ...	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days or	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days notice ...	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One month	9$\frac{3}{16}$-9⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months ...	9⅜-9¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months ...	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	9⅝-9⅜	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	9¾-9⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months ...	9⅞-9⅝	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	9⅞-9⅝	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months ...	10½-10¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	10⅝-10⅜	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three years	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Four years	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five years	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ECGD Fixed Rate Export Finance Scheme IV: Average Rate of Interest period May 2 to June 5 1984 (inclusive): 9.516 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 9½ per cent from June 1 1984. London and Scottish Clearing Bank Rates for lending 9-9¼ per cent. London Deposit Rate for sums at seven days' notice 5¾-6 per cent. Treasury Bills: Average tender rate of discount 8.8513 per cent. Certificates of Tax Deposit (Series 6). Deposit of £100,000 and over held under one month 9½ per cent; one-three months 9¾ per cent; three-six months 10 per cent; six-nine months 10¼ per cent; nine-12 months 10½ per cent. Under £100,000 9 per cent from June 7. Deposits held under Series 4-5 10¼ per cent. The rate for all deposits withdrawn for cash 7 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	12½
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	[illegible]

Treasury Bills

One month	9.50
Two month	9.75
Three month	9.96
Six month	10.59
One year	10.84

Treasury Bonds

Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
10 year	[illegible]
Seven year	[illegible]
30 year	[illegible]

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. June 11)

3 months U.S. dollars	
bid 11 7/16	offer 11 9/16

6 months U.S. dollars	
bid 12 3/16	offer 12 5/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on June 11, 1984. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rates; (h) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.10
Algeria	Dinar	(A) 6.8900
Andorra	French Franc	11.58
	Spanish Peseta	212.375
Angola	Kwanza	(CM) 43.7626
Antigua	E. Caribbean $	3.75
Argentina	New Peso	64.07
Australia	Australian $	1.5520
[illegible]	[illegible]	[illegible]
Greenland	Danish Kroner	13.845
Grenada	E. Caribbean $	3.75
Guadaloupe	Local Franc	11.58
Guam	U.S. $	1.3895
Guatemala	Quetzal	1.3895
Guinea	Syli	32.90
Guinea-Bissau	Peso	112.05
Guyana	Guyanese $	5.2275
Haiti	Gourde	6.9475
[illegible]	[illegible]	[illegible]
Paraguay	Guarani	(F) 334.92
Peru	Sol	exc(A) 4,452.67
Philippines	Philippine Peso	25.54
Pitcairn Islands	£ Sterling	—
	New Zealand £	2.1476
Poland	Zloty	154.17
Portugal	Portugu'se Escudo	193.05
Puerto Rico	U.S. $	1.3895
Qatar	Qatari Ryal	5.0810
[illegible]	[illegible]	[illegible]
Greece	Drachma	149.70
Zimbabwe	Zimbabwe	1.6180

* Rate is the transfer market (controlled). †† Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (‡) Based on gross rates against Russian rouble. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (3) Non-essential imports and private sector applicant. (4) Preferential rate for public sector debt and essential imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (8) Rate for remittances of foreign currency by Egyptians working abroad. (9) Banknote rate.

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OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 26

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

INT. CAPITAL MARKETS

Eurobond new issues at low ebb

By Maggie Urry in London

WITH MOST of continental Europe closed for the Whit Monday holiday, the Eurobond markets were extremely quiet yesterday. New issue activity slowed to a trickle and secondary market trading in dollar bonds was quiet, with prices rising by ⅛ point where changed.

Nikko Securities has priced its two-tranche $80m convertible. The coupon, as indicated last week, is 3¼ per cent and the conversion premium 3.56 per cent over the company's shares, which closed yesterday at ¥478.

ABN Bank launched a Fl 75m dollar-linked 10-year bond for Bogamy, the Dutch property company. The 9 per cent coupon is payable in guilders, but at redemption investors receive $450 for every Fl 1,000 bond. Issue price is par.

Nomura Securities, meanwhile, has decided to postpone indefinitely the Y15bn Samurai bond for the Province of Quebec.

John Wicks writes from Zurich: Swiss banks have increased the level of interest payable on their over-the-counter medium-term bonds, the so-called *Kassenobligationen*, the first general rise in these rates since last October.

In future, the big banks will pay 4¾ per cent for maturities of three and four years, 4¾ or 5 per cent for five to six years and 5 per cent for seven to eight-year bonds. The cantonal banks will offer 4½ to 4¾ per cent for three to six-year maturities in almost all cases.

The medium-term bank bond rate is one of the key indicators in the Swiss capital market. However, no immediate reaction is awaited in the equally important mortgage rate. Currently, first mortgages cost 5½-5¾ per cent and second mortgages generally ½-point more.

D-MARK NEW ISSUES CALENDAR

Date	Borrower	Amount DM (m)	Lead Manager
June 12	World Bank	300	Deutsche Bank
14	Industrial Devt. Corp. of South Africa	50*	Dresdner Bank
18	Rautaruukki (Finland)	100	Commerzbank
19	McDonalds Finance	100	Bay. Vereinsbank
25	Ireland	100*	Commerzbank
29	Sperry Rand	150	Bay. Vereinsbank
July 2	Eurofima	100	Deutsche Bank
3	Ford Motor Credit	75*	Commerzbank
4	Japan Fin. Corp. for Municipal Enterprises	100	Deutsche Bank
5	Haindl Paper	70	Bay. Vereinsbank
	Caisses Nationale des Autoroutes	100	WestLB
6	Oesterreichische Donaukraftwerke	100	BHF-Bank

Next meeting July 9. * Private placement

Loan to Saudis well received

RIYADH – A surprisingly good reception for a $190m loan to finance the completion of Saudi Arabia's giant Yanbu oil refinery bodes well for a number of major project financings expected from the Kingdom in the near future, according to bankers.

Bankers expect the financing of the last leg of construction of the Pemref refinery, a joint venture of the Saudi state-owned oil company Petromin and Mobil Oil, will serve as a model for 10 other major Saudi industrial projects due to be completed in the next two years.

Under terms set by the Saudi Government, all the projects must arrange private bank loans to finance the final 10 per cent of construction costs. The combined cost of the joint-venture projects, including the Pemref refinery, is expected to total about $13bn.

Saudi officials say they do not want to saturate the market with Saudi borrowings and will award mandates for the other projects accordingly. But as many as four of the 10 projects are scheduled for completion in the next eight months.

As a result, the Saudis and their joint-venture partners may need to borrow another $700m by the end of the year in addition to the $190m Pemref is seeking.

The Pemref loan, which was first offered to banks in early May, is heavily oversubscribed, with interest so keen that participating banks may be given only half the amount they originally sought, the lead managers say.

That response has reassured Saudi officials and surprised some foreign bankers, many of whom felt that current refining economics and Gulf politics would dampen enthusiasm for the credit.

"It's going really well despite the current political problems," said an official at one of the lead managers. The lead group includes Chase Manhattan Bank, National Westminster Bank and Bank of Tokyo, plus four Saudi banks and one Bahrein-based Arab bank.

The lead managers say the syndication agreement should be signed by September, about a month after commercial production at the plant begins. AP-DJ

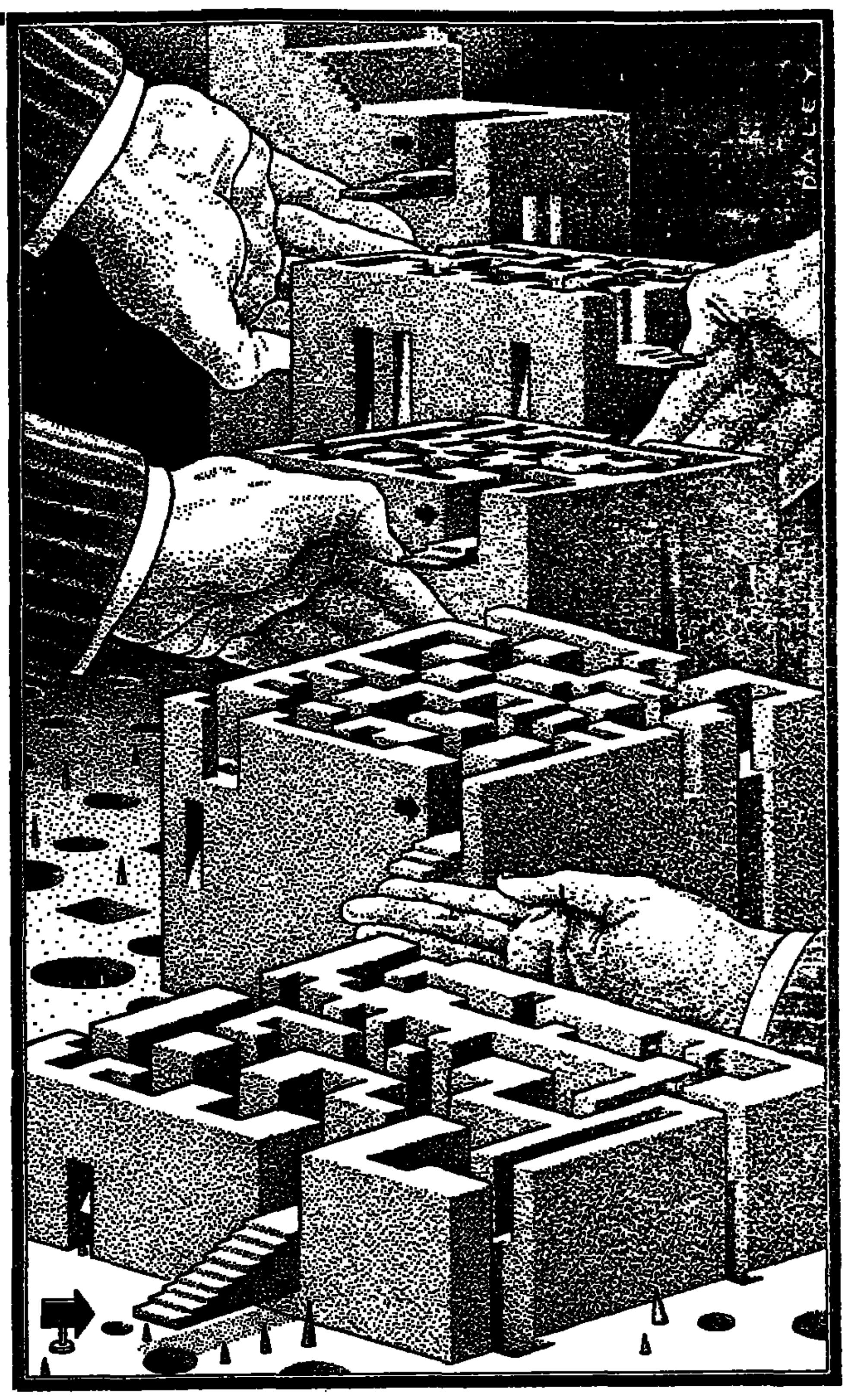
FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for June 11.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FINANCIAL TIMES SURVEY

Small Businesses



Paths through the maze made easier by wide range of help

OVER THE LAST five years Western Europe has been swept by a remarkable wave of enthusiasm for small businesses. The factors at work are many and complex: widespread disenchantment with large groupings; the relative decline of manufacturing and the increasing importance of the service sector; the suitability of small-scale industries to exploit many of the new technologies; and last, but not least, the pronounced impact of one of the deepest recessions for 50 years.

But is all this just a passing fashion or do small firms really hold the key to longer term economic revival and to the creation of significant numbers of new jobs?

By Tim Dickson

Superficially, at least, there is no doubting that the small man *commands the centre of the stage.* No longer reviled as a tax dodger or exploiter of cheap labour, small businesses exemplify most of the current Government's ideals, whether small shop (thrift, independence) or fast expanding Thames Valley electronics concern (risk taking, ambitious, profit orientated).

The extraordinary boom in the Unlisted Securities Market and the Over-the-Counter markets can at least in part be attributed to a newly found urge to parade success because it is now more widely admired rather than conceal it as has perhaps been the tendency hitherto, because it is a dirty word.

Venture capitalists and other financial advisers believe that this change of culture (at least in the south east), along with the large number of new companies being created represent the Government's most significant achievements. Confirmation of the record number of start-ups was provided last month when the Department of Trade and Industry published figures based on VAT returns showing that business "births" had risen from 157,000 in 1980 to 168,400 in 1983. (Business "deaths" were down leaving a net surplus of 120,000 over the four years 1980-1983).

So, where is all the new activity coming from?

● *Perhaps the most exciting* businesses — because of their growth potential — are those started, or joined by an experienced big company executive or management team and backed by the newly emerged venture capital community. The U.S. is littered with successful examples (eg, Tandem Computers) but in the UK this particular entrepreneurial "model" remains in short supply (Rodime, a spin off from Burroughs, is the name that most readily springs to mind.)

● At a different end of the "market" the recession and subsequent shake out in traditional manufacturing have, too, swelled the ranks of the self-employed. Many of those businesses now showing up in the national statistics have been set up as a straight alternative to life on the dole. The Government moreover — aware that self employment is one way out of unemployment and convinced that worthwhile entrepreneurial talent lurks in the Black Economy — has made a virtue out of necessity through the Enterprise Allowance Scheme, a simple £40 a week grant (to replace lost social security benefits) for anyone previously jobless who decides to go it alone. So far more than 30,000 businesses have taken advantage of the grant, with demand outstripping the available resources.

● Co-operatives and franchising — both primarily form of small scale enterprise — have proved, according to the co-operative development agency, increasingly popular. An estimated 1,000 co-operatives are now in existence employing over 9,000 people. The recession, again, has been the most significant factor, with worker co-operatives often the phoenix arising out of the ashes of liquidation — but co-operative principles (which are strongly supported, of course, by the Labour Party) along with wider share ownership have also been disseminated more widely.

● Many observers, meanwhile, believe the growth of management buy outs — spin offs from bigger companies which enable executives to acquire a substantial stake in or even control of the business they have been running — to be one of the most important developments.

Few UK deals even approach the size of the typical U.S. "leveraged buy out" perhaps in part because, as Mr Roger Brooke, managing director of buy out specialists Candover Investments observes "remarkably few major companies have yet really sorted out their strategic objectives and looked seriously as selling peripheral subsidiaries. Nevertheless, the 210 buy out deals recorded in 1983 (compared with 107 in July 1980) reflect a wider appreciation that some companies are better motivated and better financed as independent businesses than as parts of large, amorphous conglomerates.

In spite of these apparently optimistic trends, the Government is far from popular among those who might be thought to be its natural supporters. This is partly no doubt the result of complex psychological responses—an inherent dislike of all bureaucracy (which is only being shifted very slowly off the independent business person's shoulders) and a "knee-jerk" aversion to all special small business schemes regardless of whether they are helpful or not.

Viewpoints

Lobbyists frequently complain, too, that while they may get a sympathetic hearing from Mr David Trippier, the Small Firms Minister at the Department of Trade and Industry, other Government departments (notably the Treasury) are increasingly deaf and insensitive to their pleas.

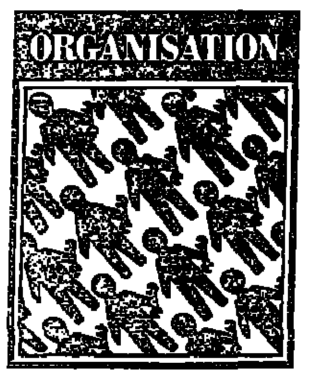
The watering down of the Loan Guarantee Scheme — by reducing the amount guaranteed *from 80 per cent to 70 per* cent of the loan and increasing the cost of the "premium" from 3 per cent to 5 per cent —*has upset most representative* groups including the Confederation of British Industry (CBI) and betrays, many say, a continued failure to understand the problems of small business.

Says Barry Baldwin, a partner in a major accounting firm and national Chairman of the Union of Independent Companies (UIC): "The Loan Guarantee Scheme has been one of the few ways for people wanting to start a business to get that very difficult first £50,000. Given that the emphasis of the original Business Start-Up Scheme has moved to established businesses via the Business Expansion Scheme, as well as the change to the LGS, I am worried that one of the major planks of the Government's original small firms policy is in danger of being knocked away."

Whether you go this far or not a major policy shift has taken place in the last 12 *months.* As evidence has built

CONTINUED ON BACK PAGE OF SURVEY

IN THIS SURVEY



Small companies come in many shapes and forms. While the independent, limited liability company is perhaps most familiar, other forms of organisation and structure have come to the fore in the past year.

Correspondents examine here the role of the co-operatives—sometimes called the "Third Sector"—and developments in partnerships and sole trading. Franchise operations are also becoming increasingly popular—in Britain alone, this sector is likely to involve 50,000 workers by the end of next year.

A resurgence of interest

WORKER CO-OPERATIVES have flourished over the past five years, reversing half a century of decline. There are now approaching an estimated 1,000 worker co-ops in existence, employing several thousand workers, and the rate of growth of this type of small business in the UK is the fastest in Europe.

Even the present Conservative administration, which has a traditional in-built scepticism of anything tainted with grass-roots socialism, has recently completed an ideologic U-turn and given significant backing to the co-operative principle.

Co-operatives

DAVID CHURCHILL

Mr Norman Tebbit, the Trade and Industry Secretary, recently sent a statement to a conference organised by the Royal Institute of Public Affairs emphasising the Government's support for more worker co-operatives and wider share ownership. He pointed to the National Freight Corporation and the Tyne and Grangemouth ship repair yards as instances where workers had successfully bought out publicly-owned concerns.

However, the real test of Government support came late last year when Mr David Trippier, the Minister responsible for small businesses, ended months of speculation about the future of the Co-operative Development Agency by announcing that funds would be made available to guarantee its existence for a further six years.

Mr Trippier also announced that legislation would be introduced to give the agency "limited additional powers to enable it to maximise its own earning powers and to seek further support from the private sector."

The agency was set up by the last Labour Government in 1978 and its funds were due to run out in August of this year. However, the Government—which sees itself as a champion of the small businessman—has been impressed by the growth of co-operative ventures in recent years.

The important difference behind the resurgence of co-op ventures in Britain is that the "alternative life-style" approach of the '70s, which led to many ventures in craft areas, has given way to the more basic drive for employment by people made redundant.

In addition, the growing interest during the 1970s in various forms of industrial democracy also help to fuel interest.

Unlike the much-vaunted "rescue" co-ops of the '70s — such as the Triumph motocycle co-op at Meriden — most of the co-ops started in recent years have been new ventures, created to cater for an identified niche in the marketplace.

The majority of worker co-ops are small service businesses which involve an average of about 10 members. As the service sector usually requires less capital, less complex market research, and less time to start up, the attractions of the service sector are obvious. The highest single group of co-ops is in the retail, distributive, catering and food-processing areas.

Apart from start-ups, the co-op structure is applicable to other business ventures. Some well-established traditional companies have been converted into co-operatives, either by workers buying out the company direct or by a gradual process of workers acquiring shares over a period of time.

Then there are the so-called "phoenix" co-operatives where, from the ashes of failed businesses, a new, typically smaller enterprise is formed by selecting the successful bits. Rescue co-ops usually try to keep the whole enterprise going, and often fail for the same reasons that the original business collapsed.

The spread of co-ops has been aided by a network of development agencies throughout the country which offer assistance in helping workers set up and run co-ops. There are more than 70 local co-op development agencies within Britain, with about 40 funded by local authorities. Local authorities and other organisations, such as the Greater London Enterprise Board, are valuable sources of help and sometimes finance.

Raising funds can be one of the key problems for worker co-ops. The initial funding is often not as much a problem as the need to finance expansion, since external finance has to be raised without diluting members' control.

Unlike the highly successful Mondragon co-ops in Spain, UK co-ops cannot call on a bank of their own. The Co-operative Bank plays an important role, and funds a large share of co-ops, but is limited in how much it can advance overall.

Mr George Jones, the head of the Co-operative Development Agency, has also become a convert to the new religion of co-ops. He was seconded to the agency from Unilever in early 1982 and now believes that "co-operatives could be one of the most important ways of organising the next millenium."

**The CDA can be contacted at 20 Albert Embankment, London SE1 7TJ, telephone: 01-211 4633.*

Key attraction lost in UK's new tax regime

SURPRISING AS it may seem, the decision by Britain's Chancellor of the Exchequer to reduce the rate of corporation tax and abolish the investment income surcharge has left some sole traders and partnerships feeling disgruntled.

The changed tax regime will remove for many people one of the key attractions for choosing to carry on their business as a sole trader or partner in preference to forming a limited company.

Partnerships/ sole trading

ALISON HOGAN

The rate of corporation tax on company profits will no longer necessarily be more onerous than the rate of personal income tax which the proprietor of an unincorporated business has to pay. The position of the company has been further improved by the abolition of investment income surcharge which used to be charged against dividend payments.

The tax charge is not the only factor which determines the form which a business should take. The cost of forming a company is higher than forming an unincorporated business. A company is also faced with more statutory requirements concerning the disclosure of financial information once it is established.

According to chartered accountants Spicer and Pegler, there are key questions to ask before deciding on the appropriate form; the level of profits which a business expects to attain, the amount of cash which will be required for re-investment in the business and the level of remmeration the business owners wish to receive.

These are questions, they suggest, which are better addressed at the outset rather than later.

"It is relatively easy to transfer the business of a partnership to a company, but a transfer in the reverse direction can be complicated and costly," they say.

Thus, an existing business which has so far favoured incorporation may elect, in the light of the Budget and its own changing circumstances, to become a limited company, without too much difficulty.

In the past, when onerous corporation tax charges have made a reversal to an incorporated business appear attractive, the option was rarely exercised because of the offsetting costs of winding up the limited company.

One of the basic legal considerations which governs the choice of form is the question of liability. A sole trader or partner has total personal liability for the business, though this can be covered to some extent by product liability insurance.

In a company, the liability is limited to the share capital contributed. In the case of a small or new business, the distinction is often slight as the owners of a company will be asked to provide a personal bank guarantee.

The incorporated business has the important advantage of flexibility and a greater degree of discretion governing the actions of the partners. Its results can be kept secret, too.

A partnership is controlled by an agreement setting out the rights and duties of the partners, the capital each shall contribute and the way that profits or losses are to be divided.

"A partnership gives much greater flexibility and when profits are rising there can be a cash flow advantage owing to the time lag between the earning of profits and the paying of tax on those profits," says Spicer and Pegler.

In their book "Let's go into business," Robert Bennett and Roger Cheesley list some of the complex rules affecting companies. They include the obligation to have the annual accounts audited, to send to the Registrar of Companies each year a copy of certain parts of the annual accounts, and to keep a much more detailed record of its financial transactions which are subject to greater scrutiny.

The taxation rules for a company are more stringent on such items as private motor-car costs, the provision of accommodation or services for the proprietor or directors.

Tax has to be paid more promptly by a company, generally around nine months after the profits are earned. A sole trader works on a "preceding year" basis of assessment. That can mean up to 20 or 26 months delay between earning profits and paying the tax on them.

The sole trader and partnership has further advantages. They can draw out money from the business after profit has been taxed without further tax charges. When a tax loss has occurred it can be set against the proprietor's other income, sometimes for earlier years.

When a business decides that it is time to change to become a limited company, the timing of the transfer needs to be carefully planned. Arthur Anderson, chartered Accountants, list a number of tax problems and pitfalls which might arise in their publication "Going into Business."

Capital gains tax, for example, will be chargeable on any assets of the business which are not transferred to the company, on any excess of their market value over their cost. Various other taxes, development land tax, stamp duty and capital duty may also be payable on some assets.

Most start-up ventures elect to set up as sole trader or partnership. It is unusual for a new business venture to produce sufficiently high level of taxable trading income after capital allowances and stock relief to justify forming a limited company. According to Arthur Anderson, there would need to be overriding non-tax considerations such as a number of passive investors who need the protection of limited liability, or the "image" advantage of a limited company.

Business format growing rapidly in popularity

Franchising

DAVID CHURCHILL

FRANCHISING has been rapidly growing in popularity both as a means of expansion for companies lacking the resources to expand by themselves and as a means of entry into business by individuals who want to enjoy the benefits of working for themselves while limiting some of the drawbacks.

Small wonder, then, that Brian Smith, chairman of the British Franchise Association, believes that "the longer I am involved in franchising the more enthusiastic I become about its future in the British economy."

Members of the association will by the end of next year, Smith predicts, account for total sales of £1bn and will be directly responsible for some 50,000 workers.

Franchising has become a popular business format because it offers virtually something for everyone. The franchisee is using a format that has been proved many times, and there is therefore a good chance of succeess for any individual who is qualified. The franchisor can build a network of reliable, motivated partners more quickly than could be achieved through a conventional branch system.

Franchising, however, is by no means a new form of business organisation, even though its growth in the UK has been most rapid over the past few years. Its origins can be traced back almost two centuries when brewers first created the tied-house system to guarantee outlets for their beer.

It developed in the UK this century mainly in the motor trade, through franchised petrol stations, car dealers, and spare parts dealers, as well as in food retailing with voluntary groups such as Spar and VG.

However, it is the second generation or "business format" franchise operations where most of the growth is being recorded and on which most attention is focused. These franchises are usually fast food outlets or services such as rapid printing or cleaning.

The usual definition of franing is where a company establishes a contractual relationship with owners of separate businesses which operate under a franchisor's name in a specified manner to market the product or service in question.

The franchise company — the franchisor—offers the would-be small businessman (the franchisee) essential know-how, equipment, materials, and local rights to a nationally advertised trade name.

In return, the franchisee pays over a lump sum to begin with, then a continuing royalty, which can either be a percentage of turnover, or a surcharge on the cost of the basic supplies. The royalty covers the cost of any further training, advice, administrative back-up, and local and national advertising.

The franchise

The typical franchisee is male, although there are an increasing number of women, under 40, married with a couple of children. He needs about £20,000 to start in busness, although taking on a franchise can range from between £5,000 and £250,000 depending on the type of business. Drain cleaning, for example, is a relatively low-cost franchise to start up, while most fast food operations are considerably more expensive.

The return on initial capital invested is recovered on average in just under two years and the return on the full cost in just over three years. However, in a large fast food restaurant it might take four to five years for the investment to be recovered.

Nearly a third of franchisees are shown by market surveys to have obtained their start-up capital from personal savings or redundancy payments, while more than a quarter obtained bank loans.

The support of the major clearing banks — especially

CONTINUED ON PAGE 4

When you're building up your own business, the last thing you need is a nervous investor.

Even the healthiest business can suffer at the hands of a timid investor.

His concern for his own skin could prove fatal for a growing company.

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One lesson often learned too late

THE INDIVIDUAL who is creating, building up and running his own business learns many financial lessons and disciplines as he goes along—sometimes, the hard way. But one financial lesson the small businessman in the UK usually learns very late in his business life is the need for making pension provision.

He pays his National Insurance contributions, because these are obligatory, but if asked to put aside contributions for his retirement, the small businessman will put forward a variety of reasons and excuses for not doing so yet — too busy, cannot afford to lock away capital, his business is his pension, and so on.

Pensions

ERIC SHORT

The small businessman adopting this attitude not only does not appreciate that there is a need to provide for his ultimate pension, but also that a properly designed pension scheme can play an important role in the financial planning of his business and in his own personal affairs.

It has to be admitted that pension provision is somewhat complex, with one set of conditions for corporate bodies affecting controlling directors and another set of conditions for the self-employed. It is to be hoped that the UK Government's current inquiry into pension provision will produce a necessary rationalisation.

But whatever the conditions, any approved pension arrangement is the most tax-efficient means of saving towards the future.

- The contributions to a pension scheme plan by the company are eligible for Corporation Tax relief, while the contributions paid by the individual attract tax relief at his top tax rate.

Thus, the cost to the small businessman is considerabley reduced by the tax relief available. Most pension schemes have provision for fluctuating contributions, so payments can vary according to profitability.

- The contributions are invested in funds that are exempt from all taxes, so the underlying funds are rolled-up gross, no matter how successful is the investment policy. In his business, the more successful he is the more tax the businessman pays.
- The benefits paid out from the pension scheme are treated favourably from a tax basis. The pension payments are taxed as earned income, but all lump-sum benefits are paid free of tax.

Under a corporate scheme, the controlling director can convert part of his pension into a tax-free lump sum up to one-and-a-half times final salary providing he has been a member of the scheme for 20 years. The amount is scaled down for fewer years. The self-employed can take about one-quarter of the value of his pension contract in tax-free cash.

If the small businessman should die before retirement, then the pension scheme will pay lump-sum benefits that are free of Capital Transfer Tax. The controlling director can be paid a maximum of up to four times his earnings at the time of death, while for the self-employed the death sum will vary according to his age and the amount of contribution set aside for this death-in-service sum.

Thus, the business pays contributions to the pension scheme getting tax relief. The businessman at retirement takes out a tax-free lump sum. In this manner, the business had transferred money to the businessman without attracting tax. If the assets are paid direct at retirement, tax is levied.

The lump sum available should the businessman die before retirement can play a vital part in passing on the business to his children, since it is free of CTT.

These are two illustrations describing very briefly how the benefits provided under a pension arrangement can be used in personal financial planning of the individual businessman. There are many others that a pension specialist would explain in detail.

However, pension contributions have to be paid in cash and the benefits cannot be paid until the businessman retires or dies. All too often the businessman needs to have access to cash at short notice. He may well feel that the pension scheme, for all its tax efficiency, is locking away assets that he may need in the future.

There are loanback facilities with pension schemes that enable the businessman to unlock at least part of those pensions scheme assets. The controlling director can borrow up to 50 per cent of the value of the pension scheme.

These loans, which would form part of the assets of the scheme, have to be made on at an arms-length basis on commercial terms Nevertheless, the terms should be easier than with a bank loan.

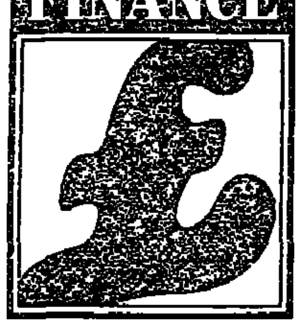
The self-employed can also take loan-backs if a suitable form of security is available.

The controlling director can also use this pension scheme to finance certain types of expansion. The pension scheme can buy a new factory or office block and lease it to the company. The rent paid by the company is offset against the Corporation Tax bill, while the pension scheme can reclaim this tax.

The controlling director has the choice of taking out a pension scheme from a life company or running his own scheme. The businessman needs to consider carefully the features of each type before deciding which to take.

The self-employed can only take out a pension plan from a life company. but there are ways in which he can effectively operate his own scheme.

FINANCE



FT correspondents highlight here the importance of making pension provision and the various options open to the small businessman seeking to ease daily cash strains.

Ways to ease cash headaches

THE PROBLEMS of running a small business are legion and perhaps nothing is quite so frustrating for a rapidly growing company as the daily headache of how to finance a multiplying level of trade. Money is getting tied up in working capital, the level of debtors is escalating, especially when there is a high degree of exports, and demand is rising for fresh investment in capital equipment.

There are many ways of easing those headaches. The local manager may be able to offer instant relief, but not always. So a small businessman should always consider the various options open to him in an effort to ease the cash strains. Cost analysis is a must and with some forms of finance, such as factoring, there are perhaps wider intangible elements to consider.

There are, of course, several approaches to funding capital investment programmes outside of a company's cash flow. Straight loans are an obvious avenue, while hire purchase and leasing are two other common routes. Leasing became increasingly popular during the '70s, whether it was to finance a few vans or the latest high-technology computer systems. There is some evidence that leasing has reached its peak, but as it accounts for 15 per cent of total capital expenditure by British industry, its role could hardly be described as minor. However, the Chancellor's revolutionary changes to capital allowances and the corporate sector's tax structure will greatly change the arguments for leasing when the new rules are finally introduced.

While the leasing industry as a whole, has tended to play down the significance of taxation advantages within the leasing cost equation, capital allowances played a fundamental role. Up till now, the case for leasing has been clear enough. Although individual leasing contracts are open to variation, the underlying theme remains the same.

The basic principle is a shift of ownership from the user of the equipment to another party providing the finance. A company may want to use leasing to fund new capital equipment, either because of cash restraints, limiting an outright purchase, or because of tax considerations.

In a nutshell it works like this. The lessor, who provides the finance, is the legal owner of the equipment. The lessee who is operating the equipment pays regular sums to the owner (lessor) who, over the life of the lease, will recoup the initial cost of the equipment plus an "interest" element. The lessor has been able to take advantage of capital allowances as the owner and pass this on to the lessee in the forme of lower "rental" charges.

As Mr Lawson's changes bite, the leasing industry can look forward to a more limited role. Initially there could be a rush of new business to take advantage of the gradual switch to the point where first-year capital allowance will disappear in April 1986. Beyond that the attractions of leasing will not be so self-evident.

Nevertheless, the Equipment Leasing Association, whose members account for over four-fifths of all leasing business in the domestic market, remains confident that leasing will continue as a competitively priced form of fixed-rate finance.

Time will tell, though certainly it looks as if the leasing companies will have to go out and sell themselves rather than wait for the business to roll up to the door. Leasing rates will rise closer to money market rates and many potential lessees may not feel complicated leasing transactions worth the effort.

Apart from financing capital equipment one of the biggest problems facing a. relatively young business is the cash strains caused by working capital requirements—and time spent chasing up debtors can mean time lost in getting new business.

Debt factoring is worth considering by any company faced with cash flow problems, whether small or large, as it allows a proportion of invoiced sales to be quickly turned into cash.

Factoring is normally a three compartment package. It offers sales accounting and collection, finance against invoices and it can offer bad debt protection. This last feature varies from factor to factor and its attractions are the subject of heated debate.

As soon as a client invoices a customer he receives a cheque for a proportion of the face value of the invoice. That proportion varies though it is normally around 80 per cent of the total value. The balance is paid by the factor to the client when he receives the payment from the client's customer, or possibly the balance may be paid at an agreed interval, whether the factor has been paid or not.

Leasing, factoring forfeiting

TERRY GARRETT

In the normal course of events it is the factor who has to chase reluctant payers. Bad debt protection for clients is the norm in the UK, though at least one leading factor, Alex Lawrie, undertakes recourse factoring which makes any bad debt problems ultimately the responsibility of the client. Alex Lawrie men claim that their service tends to come out cheaper than that of the non-recourse factors.

For the small business the use of factoring can have benefits other than the sure knowledge of a regular income flow from sales. The factor can introduce a much needed element of discipline and control into a business, but factoring does have its drawbacks.

According to Mr Michael Maberly, of Credit Factoring International and vice-chairman of the Association of British Factors, one of the biggest drawbacks he hears of from potential clients is that factoring is expensive. He dismisses this as an uninformed response, but one that it is hard for the factor to shrug off.

Charges break down into two parts, a service charge plus a rate for the cost of money advanced, normally pretty close to overdraft rates. The service charge varies and is geared to the amount of work involved for the factor and the credit risk he is exposed to. It is usually somewhere between ½ per cent and 2 per cent of turnover. Each customer is different, so charges vary.

The second drawback is a psychological one. Some companies believe that their customers will be wary of a company using a factor. Yet with more than 3,000 companies using the services of the eight members of the association, factoring is no longer normally viewed as a service used by a company one step away from ruin.

Factoring also has a place for the exporter. People interested in open account exporting, rather than against bills of exchange, need demanding credit controls and factors will step in bearing the foreign exchange and bad debt risk. This may not come cheap, but it is the service element rather than "up-front" money which attracts customers towards the overseas service.

Companies heavily involved in the export market might also consider the use of forfaiting, a banking service which has its roots in East-West trade 20 or so years ago. Forfaiting strongly resembles the Government's ECGD operations except the banks play the role of the authorities. Perhaps more importantly, forfaiting is a more flexible service.

Forfaiting is basically the discounting of overseas trade bills, its name having been derived from the fact that the financier forfeits the right of recourse to the exporter if the importer does not pay up.

Assume a British company has sold a substantial amount of capital equipment to an overseas customer. Payment has been agreed over six-monthly intervals by a series of trade bills. The British manufacturer can turn to a forfaiting bank to discount those bills rather than wait for the payment dates to come up.

The forfaiting bank will assess the creditworthiness of the customer and that of the bank which is guaranteeing the bills of exchange. Assuming that the bank is satisfied, it will calculate the cost of discounting the bills with reference to the London inter-bank rate. On top of that there will be two other variable charges to the exporter.

The price will be adjusted to take account of the risk element to the financing bank and also a margin to cover the risk of entering into the equivalent of a fixed-rate transaction. Forfaiting is, after all, lending long at fixed rates and borrowing short. Most forfaiters also charge a commitment fee.

Any potential user of forfaiting should compare the costs against ECGD cover, if it is available. It also pays to shop around the various banks. Charges will vary and some banks may be willing to take on risks that others might not touch.

Popularity of franchising

CONTINUED FROM PAGE 2

Barclays and National Westminster—has been one of the major factors behind the growth of franchising in recent years. Both banks have specialist departments which vet franchisors and advise branch managers on the potential for success.

Barclays, for example, has agreed financing packages with about 40 franchisors and has a close relationship with up to 30 others. The majority of these companies are in the fast-food, fast-print and the retail and service sectors in general.

Many potential franchisees have been referred to either Barclays or NatWest by the franchisor, but the final decision is up to the local branch manager. "In all cases it is the local branch manager who makes the lending decision since it is he who sees the individual franchisee and is endowed with local knowledge of the area," points out Patrick Salaun, franchise manager for Barclays.

The banks will usually consider only putting in up to two-thirds of the start-up costs, since advancing a 100 per cent loan might be too heavy a burden. It might take some of the motivational factors away from the franchisee.

"The very situation of a franchisee, who in most instances has mortgaged his house and sold other assets, ensures that he will put his life and soul—and that of his wife and children—into the success of the venture," points out Tony Dutfield of Wimpy International.

Barclays will arrange the loan either as an overdraft or a term loan, or a combination of the two. The loans are normally offered on a fixed term of one to seven years at rates of interest ranging from 2.5 per cent to 4 per cent above Barclays' base rate depending on the quality of the security offered.

Before even getting to the stage of talking to a bank manager about finance, however, a potential franchisee should ask himself some searching questions about why he wants to become a franchisee. You have to establish, for example, whether you have the emotional and physical stamina to work long hours to establish a business, and whether you can cope with the lack of security involved in not working for a salary from a large company. Moreover, you have to consider whether your family will share your enthusiasm.

If you are satisfied that you have the right approach to become a franchisee, you have to decide what sort of franchise operation you want to get into. Do you, for example, want to work unsocial hours in a fast food outlet or be constantly on call for a service business such as drain cleaning.

Choosing a potential franchisor can also be difficult, and the best advice is to consider a number of different companies very carefully. One way of sorting out the better franchisors is simply considering the way the franchise is offered. The use of an advertisement that gives only a post office box number may be an early warning of trouble. Equally, over elaborate and glossy presentations may be the sign of potential weakness.

One franchise consultant suggests that potential franchisees should remember "that the good franchisor is someone who wants to form a lasting partnership with you and not just sell you something which you will regret later."

The British Franchise Association was set up to help stamp out rogue franchisors and it carefully vets its members and associates. The failure rate of franchisees who take on a franchise offered by an association member is very low and Patrick Salaun of Barclays points out that "so far we have not experienced any bad debts."

The association is also anxious that the Government should give greater recognition to the role of franchising in the economy. "We would like some tax concessions allowing us to offset the training costs involved in setting up new businesses," says Brian Smith.

"Allowing franchisees to benefit from some of the schemes available to launch small businesses would be a gesture of recognition representing a far greater benefit to franchising than its cost, which would be rapidly offset by the businesses such government support would inspire."

In areas of accounting, stock control and word processing, personal computers are proving a boon to the growing army of small businessmen. In use, above, is an IBM Personal Computer—the system includes a 64K user-memory, a built-in speaker for audio applications; it also houses up to two diskette drives. The printer produces up to 80 characters a second; the display screen provides 25 lines of 80 positions.

The lack of financial sophistication is a serious problem for many small companies

Demand for a wider range of services

Accountancy

ALISON HOGAN

ACCOUNTANTS have an image problem which they are only gradually beginning firstly, to define, and secondly, to act on.

They have not escaped unscathed the effects of the recession. Audits are often put up for tender and consultancy has to be offered at increasingly competitive rates.

Nor is competition restricted to other firms of accountants. It includes challenges from banks and non-accountants who offer a range of financial services and advice (bar audit, which remains the exclusive preserve of the qualified accountant of one of the approved bodies).

The small business has consequently, been a focus of much of their strategic rethinking. Starting from the old adage that from small acorns, oak trees grow, the largest international firm takes the smaller business as seriously as a major audit client high in the FT Top 500. This concern has developed significantly over the last five years.

A number of the "Big Eight" firms have strengthened the resources they devote to smaller businesses, and opened new regional offices in towns such as Reading and Cambridge where new businesses appear to be flourishing. Some have a fairly restricted definition of a small business as high growth, probably high tech.

Others have adopted a wider view and will take on start-up or fledgling businesses, advising on sources of finance, accounting and managerial systems and on taxation matters in addition to conducting an audit.

Smaller accounting practices have felt particularly vulnerable to the competitive environment mainly because they are likely to have smaller resources to market their services and these, too, will probably be of a more limited range. Restricted by the profession's advertising rules, they cannot publicise their wares in the same way as a bank or book keeping service.

Argument

A lively debate is in fact going on within the accountancy profession about lifting restrictions on advertising. Opinion is split down the middle. Some favour deregulation as an aid to the smaller accountancy firm, arguing that it provides one firm with an opportunity to explain its services and distinguish its professional skills from other organisations. Others fear that the result will be huge advertising campaigns from the larger firms at the expense of the small firm.

Either way, the concentration of resources and ideas can only benefit the small business sector. It is at the same time a big challenge for the accounting profession. Many budding entrepreneurs have little concept of being part of a *small* business sector. They may also unaware of financial advisers clamouring to help them develop a business strategy.

Last autumn the Institute of Chartered Accountants in England and Wales launched a trial corporate advertising campaign aimed at small businesses in the North East. It included a series of seminars and advertisements in local papers addressing the question 'Why you need a chartered accountant."

The seven week project was considered a successful public relations exercise, particularly the seminars where personal contacts could be made with potential clients and their advisers, bank managers and solicitors. The cost of extending the exercise on a national scale, however, is felt by many to be prohibitive at around £5m a year or £250 per practising member.

Accountants rely heavily on other professionals to refer business to them. The bank manager is probably the most important link. Anyone contemplating going into business will usually require financial assistance and need to visit the bank to arrange an overdraft facility.

Projections

*If the bank manager is dis*satisfied with the quality of financial information the customer provides to back up a request for loan, he will often encourage him or her to seek out an accountant to review their affairs and help draw up a business plan, cash flow projections and proper management accounts.

Often an accountant will come on the scene just when a client is at their most vulnerable, perhaps facing an acute cash flow problem. "You have to be prepared to restrict fees at the outset until the business is on a surer footing," says Mr Christopher Rew, a partner in chartered accountants, Robson Rhodes.

The client, it has been found, is, generally, more appreciative of the benefits of sound financial advice with time, and more willing to pay an appropriate fee for the hours the accountant puts in.

The quality of this advice will, of course, vary. A recent report by Robson Rhodes into the effectiveness of the government-backed Loan Guarantee Scheme discovered a high failure rate among companies which took advantage of the scheme, and accountants themselves do not escape all blame.

It was felt, for example, that they were often more concerned with problems solving than offering constructive advice (though in general they were criticised less than managers or bankers).

Mr Fred Bleasdale, president of the Association of Certified Accountants, has urged his members to heed the comments of the Robson Rhodes report and grasp the opportunities which the LGS presents.

He suggests that accountants encourage suitable clients to set up in business with LGS support, assist them in applying for a loan and then ensure that financial controls are maintained.

The profession has shown its interest in furthering the cause of small businesses (and its members) in many ways. They have involved themselves in enterprise agencies and similar organisations. They have also participated as advisers within the Department of Industry's small firm's centres.

In the end, the question who to use and to what extent, rests with the businessman. Some very small businesses will need little more than an efficient management accounts service in which case a company such as AIDS, Accounting Information and Development Service, may be appropriate.

Meeting a need

AIDS is a franchise operation run by Mike Salinger, a *chartered accountant*. He believes that some firms concentrate too much on advisory services at the expense of the basic, but essential aspects of bookkeeping and accounting. He found a gap in the market and AIDS is growing fast on the basic business of providing monthly accounts.

The quality of service and advice will inevitably vary from firm to firm as in any sector of business or commerce. Entrepreneurs just need to remember that if they think they have any real chance of establishing a successful and expanding business, then an accountant will be delighted to have them as clients. It is worth shopping round, talking to other advisers and other similar successful businesses, to see who helped them on their way.

Banks step-up flow of advice and expertise

"WE WERE losing money hand over fist," recalls Sandra Lawrence, joint managing director of South London-based industrial plant hire specialists, Campbell Grey. "The sector generally was taking a beating and it felt as though somebody new was going to the wall every day."

Sandra Lawrence and her "other half," John Hill, attribute much of their company's revival not so much to the subsequent pick-up in demand as to a lengthy visit at the end of 1980 from a manager from Barclays Bank's Business Advisory Service, (BAS).

Help from the banks

TIM DICKSON

"He went through every aspect of our business and made us account for and question every item," she remembers. "Until his visit we never ran proper budgets, so he helped us do that and also set up management accounts. We trimmed our overheads savagely, sorted out problems with a lease, and restructured our entire banking facility."

In total the company owed Barclays about £400,000 through overdraft and medium-term loans.

Companies such as Campbell Grey, whose turnover of £2.6m is still at 1980 levels but which is now making healthy profits instead of substantial losses, reflect one of the more positive sides of the major high street banks' attitude to smaller customers.

Set up in response to the 1971 Bolton Committee Report on Small Firms, Barclays started operating its BAS in earnest from 1973. It is staffed by a team of specially-trained managers who effectively offer a week's free consultancy, the main purpose of which is to help small and medium-sized customers improve their financial planning and reporting procedures.

In 11 years the bank has conducted more than 20,000 BAS "surveys" for individual corporate customers.

Lloyds set up an almost identical scheme in 1976, also called the Business Advisory Service, and earlier this year Midland Bank joined in with a similar service.

It is early days yet for Midland, which so far has completed just 50 reports, but according to the Bank's Mr Stuart White "the message coming over loud and clear is that almost to a man our managers are recommending improved monitoring and management accounting."

Unfortunately, however, BAS managers only skim the surface and the image of the average branch manager dealing with the day-to-day requirements of a small business is not always flattering.

Conclusions

As depicted earlier this year in the study of 150 businesses, financed under the Government's Loan Guarantee Scheme by the accounting firm Robson Rhodes, it was distinctly *unkind*. The report was admittedly based on a small sample of what might be considered atypical borrowers but some of its conclusions have been taken to heart by senior executives of the four major clearers.

For example, the report stated: "Most (bank) managers did not see smaller business clients as worthy of the disproportionate attention which they can command. Most managers in the study saw the administration of their branch, and the volume of transactions through their branch, as precluding giving small businesses special attention."

Elsewhere, it continued "current account monitoring (setting limits of behaviour on the current account so that the manager is alerted when they are exceeded) remains the widespread method of customer monitoring . . . it is our opinion that the study indicated that there is a large number of managers who feel uncomfortable with financial and management accounts."

Head office bankers are well aware that in the rapidly changing financial and technological markets of the 1980s branch managers and business customers must pay more attention to business plans and monitoring and controlling their businesses.

As Mr Christopher Brockbank, chairman of the banks' Small Firms Working Party said in response to the Robson Rhodes report, the banks "recognise that lack of financial sophistication is a serious problem for many small firms. They (the banks) like others (in particular, the accountancy profession) have an important role to play in this area."

Big challenge

One of the biggest challenges for the banks at the moment is to find cost-effective ways of spreading much more widely the sort of advice and expertise available to a small proportion of their customers through schemes like the BAS. This is likely to be a recurring theme for the next couple of years.

The overall commitment of the high street banks to small firms, nevertheless seems unquestioned. The main *impetus for change and development*, moreover, is no longer just political, (the Bolton and Wilson Committee reports and the early discussions about a Loan Guarantee Scheme having spurred them into action in earlier days). All have Small Business Units which act as a clearing house for ideas, disseminate the message, and market special schemes.

But at the same time the sector is taken increasingly seriously at the top. As one senior clearing banker put it, "Ninety per cent of our customers have a turnover of under £1m, so you could say it's the main part of our activity."

The vast majority of lending to small firms, of course, is still done through the conventional overdraft but there has been a steady rise in the popularity and availability of term loans, often with the option to pay a fixed rate of interest.

National Westminster Bank, for example, is proud of its Business Development Loan Scheme which, although introduced in 1971, has only taken off in the last couple of years. Lloyds introduced a new Business Loan Scheme this year.

The banks are also keen supporters of Local Enterprise Agencies and besides simple cash contributions run secondment programmes both to supply the right sort of expertise and to aid internal career development. Barclays and Midland, for example, were among the founders of the London Enterprise Agency in 1979.

All, meanwhile, have tried to improve the flow of information by producing booklets with National Westminster's Small Business Digent now distributed free to around 450,000 readers.

No shortage of funds now

A VASTLY increased supply of venture capital in the UK has accompanied the general surge of enthusiasm for small business over the last five years.

In 1979 the only sources were a handful of specialist institutions or a rich relative generous enough to overlook the logic of the tax system (which through various incentives and reliefs this was fast diverting most of the nation's savings into property, pensions and life assurance).

Venture capital

TIM DICKSON

Today, the London research consultancy, Venture Economics, reckons that there are at least 100 venture capital funds of various shapes and sizes with new "players" entering the market almost every week.

Charterhouse Japhet, for example, recently announced that it had raised £15m for a new fund backed by major UK pension funds and available for investment in a range of high technology industries.

Baring Brothers, one of the oldest merchant banks, also revealed last month that it has teamed up with U.S. investment bankers and venture capital specialists Hambrecht and Quist to launch a fund later in the year.

On top of this, some of the UK's "pioneers," whose earlier funds have been exhausted or nearly exhausted, have been going back to their institutional backers for more.

The list often seems endless

Venture Founders, which was the first American influenced venture capitalist firm to arrive in Britain in 1979, and which manages a £2m fund, joined forces with merchant bankers Guinness Mahon earlier this year to raise a further £12m.

Advent Technology and Alan Patricof Associates (APA), both groups with strong affiliations to U.S. associates, are also limbering up for the next tranche. APA is expecting to take in no less than £25m this time.

The list sometimes seems almost endless and besides institutionally backed funds, there are those financed by private individuals through the Business Expansion Scheme (see separate article).

Details of a survey published recently showed that around £275m had been raised for venture capital between 1979 and mid-1983 but the total has grown considerably since then.

Moreover, while it included about £100m for publicly quoted companies like Abingworth, Newmarket and Murray Technology and £30m raised under the Business Expansion Scheme, it excluded the very large amounts made available on an ad hoc, or open-ended basis by the major banks and other financial institutions such as the Coal Board Pension Fund, large companies, local development agencies such as the Scottish Development Agency and the Welsh Development Agency and Investors in Industry whose offshoot ICFC invested about £50m last year in packages with an equity content.

All this means more money for the entrepreneur and as one might expect 1983 turned out to be an annus mirabilis for investment.

Last year Venture Economics says that 266 British companies were backed to the tune of £84m by specialist venture capital institutions (excluding ICFC), compared with 1982 when £63m was invested in 238 businesses. This year promises to be an even more active 12 months, in no small part due to the many investments being made by funds promoted under the B.E.S.

Why the sudden rush?

Political pressure may have set the ball rolling but the momentum has been more than maintained by the feeling that new, small companies are well suited to exploiting many of the new technology products and that large conglomerates are too often unwieldy for this important task.

Success by venture capitalists in the U.S., as exemplified by the likes of Federal Express, Apple Computer and National Semiconductor, also encouraged UK institutions to see what could be achieved this side of the Atlantic. And, of course, a number of the more established firms set up UK offshoots or associates to spread the gospel.

Fashion is inevitably playing its part and many observers wonder how long institutions will continue to supply the funds if the markets turn sour.

There have inevitably been some failures and write offs but generally most funds seem to be able to point to a reasonably healthy portfolio with several "refinancings" at a higher price.

Apart from DPCE, the computer maintenance group which was backed as a management buy-out by Thompson Clive, there have not yet been any full Stock Market listings for companies recently backed by venture capitalists.

The UK, moreover, has not yet suffered the sort of shakeout in high tech stocks seen over the last few months in the United States.

Next year is likely to be critical for the UK venture capital industry when more successes are likely to hit the headlines and more failures expected as the early honeymoon period for companies wears off.

Venture capital is often associated with high risk start ups but in recent years there has been a growing tendency to apply the term as a "catch all" for new capital committed to companies right up to the moment they seek a public listing, thereby embracing "development" capital.

This is just one of the ways in which U.S. firms and American techniques have influenced the venture capital industry since ideas started crossing the Atlantic at the end of the 1970s.

Perhaps the most significant U.S. import, however, has been "hands on management"—a sometimes overworked bit of jargon which means that the backer not only provides money at various stages of development but non-financial "expertise" as well.

Typically, a "hands on" venture capitalist is capable not only of putting a non-executive on the board but of becoming closely involved with the day-to-day running of a company (through changing the executive management where necessary, helping the company become established in overseas countries and generally coping with the problems of growth).

The ability to pick winners

Many more funds in the UK claim to adopt a "hands on," supportive style than can meet these criteria and it is widely feared that this could have repercussions later. The real test of a good venture capitalist is not so much his ability to pick winners—all agree that there is a lot of luck involved—as his ability to successfully support companies when markets turn sour and they would otherwise fall by the wayside.

At this stage many venture capital funds are at the euphoric stage where money has recently been invested and the inevitable problems of managing growth have not yet surfaced.

Others, however, are almost certainly close to breaking point and it remains to be seen whether the fund managers have the right blend of skills and experience to avoid large numbers of casualties.

Most observers agree that the venture capital industry needs to recruit more people with technical, rather than financial, qualifications and more with direct experience of the industries into which the money is going.

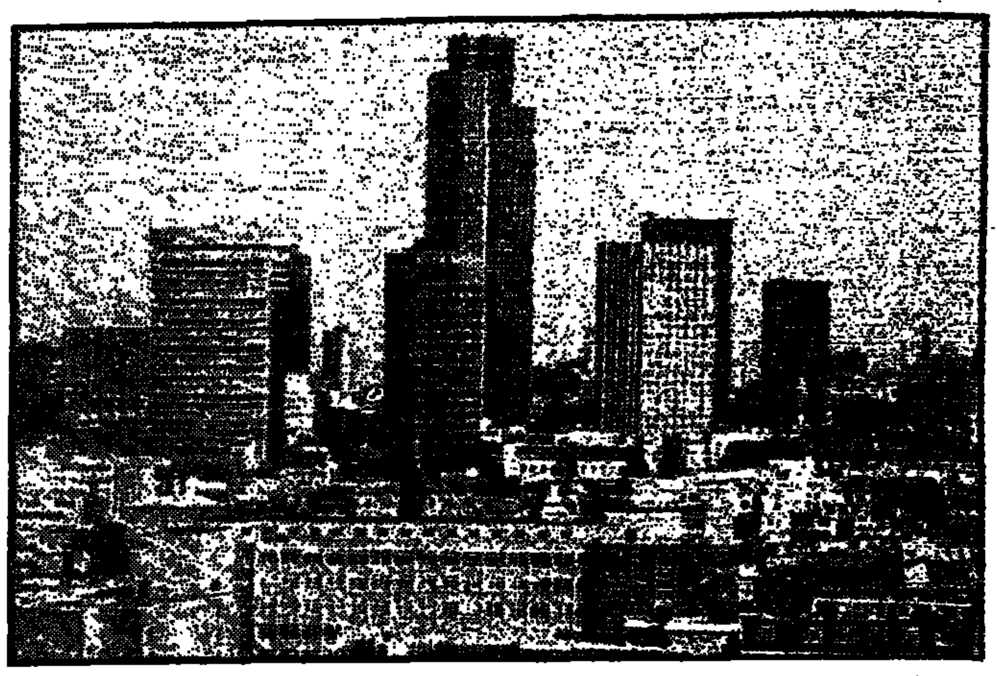
Any company seeking venture capital funds will obviously be concerned to give away as little equity in return for as much money as possible.

Other factors, however, should also be taken into account such as the degree of involvement by the fund, its contribution besides pound notes, its knowledge of and contacts in your industry (particularly in the U.S. and Japan), its longer term aims (do they accord with yours? and its likely willingness to provide further funds as you get bigger and working capital needs expand.

The most comprehensive list was published in the Investors Chronicle survey on "Finance and Small Business" (February 10). Copies of the list (which is not updated) can be obtained from David Webster, survey editor, on 01-405 6969. Price £1.25.

Useful books (which include sources) are Raising Venture Capital, an Entrepreneur's guidebook, by Deloitte, Haskins and Sells, available from Financial Times Business Publishing, 102 Clerkenwell Road, London, EC1, price £6, and Guide to Venture Capital in the UK 1983-84, by Lucius Cary, price £9.95 plus 25p p and p, from Venture Capital Report; 2, The Mall, Clifton, Bristol BS8 4DR.

A list of members of the British Venture Capital Association (BVCA) can be obtained by writing to the BVCA, 1, Surrey Street, London WC2R 2PS.



The City of London. There are at least 100 venture capital funds of various shapes and sizes, according to Venture Economics, the London research consultancy

Venture capital case study on Sat-Tel by Maggie Urry.

Optimism returns despite earlier frustrations

STANDING in his new factory in Northampton, Jeffrey Knowles is pretty sure now that his company, Space Communications (Sat-Tel) will succeed.

There have ben times over the last three years when he has wondered. Not because he doubted his product—satellite television receivers—or the likely phenomenal growth of the market in the next few years. But because of the frustrations he has faced in trying to raise venture capital and persuade finance companies to take Sat-Tel seriously.

Mr Knowles' background is in marketing. He first became interested in satellite communications four or five years ago when he was working for Philips Industries. He realised then that satellites were going to have a major impact on the communications business. So he gave up his job and joined a friend's company—Radio Masts—as marketing manager.

His initial soundings of the market for dish antennas were not encouraging. "Everyone kept saying you're too early, wait for the BBC's system." He decided that was "negative marketing" and went ahead.

It was then—in 1980—that he first had to look for money. "We were starting to spend a fair degree of money," he says. He and a colleague put up their own cash and went to Barclays for finance under the small firms guarantee scheme. Barclays said yes and Sat-Tel was launched.

With some forecasts of the market's growth, an embryo product and the first employee—an engineer—Sat-Tel started producing a small number of units to fill a couple of orders.

"By the end of 1982 it was apparent the market was beginning to take off. We had orders from Australia, the Middle East and a couple from Europe. We needed to go for increased funding," he recalls.

The first move was to find an accountant to help wtih the writing of a business plan. Shopping around for an accountant was not easy.

"We spoke to a number. There was not a meeting of minds," he says.

At last they found the right man in the local office of Spicer and Pegler, and they got down to the task of writing a plan.

Suggestion

It was then that Sat-Tel's accountant suggested ICFC and Mr Knowles met Peter English. At first Mr English did not seem to keen, but after going through the business plan, and doing some work themselves on the likely size and growth of the market, last September ICFC invested what Mr Knowles will only admit was "a great deal of money" and took a 35 per cent equity stake.

Mr Knowles is full of praise for the work of 3i, (part of ICFC).

"They advertise their 'hands on' approach and it's true," he adds. Mr English has joined the board of Sat-Tel.

"I speak to him at least once a week and see him once a fortnight." Mrs Knowles has access to a 3i accountant too, another regular once a week call, and if his contacts are not there he can speak to a number of other 3i people.

"They give us guidance, they point us in the right direction, they play devil's advocate. And they let us get on with what we're good at."

"In a small company you can sometimes get too close. We need someone near, associated with us, who can give us an objective analysis. And we know they're on our side," he explains.

Sat-Tel has been able to get some more practical help from the 3i contract too. "They have brought in a number of business consultants to advise how to structure the organisation. They've brought to us people prepared to do specialist work," says Mr Knowles.

"We went on a sales trip to Scandinavia and one of their chaps came with us. We negotiated a number of very good agency agreements. It gives a small company greater clout—he could show them a balance sheet in billions."

Already people in the UK can receive five channels of satellite television. By 1988 there will be 200 transponders over Europe waiting for people to use them. Mr Knowles now has an order book in six figures, and employs 12 people.

"When you start on the trail to find venture capital you get an awful lot of people telling you you're wrong. My only decision was satellite TV is coming—there are enough reasons not to do it. We had a number of casual contacts and wasted a lot of time. 3i knew something about it," he concludes.

Soon Mr Knowles will be thinking about a further round of funding to finance expansion. He has no doubts where he will go. 'If anyone wants to help fund Sat-Tel, they'll have to go to 3i."

Finding a system to meet one's needs

IT IS little wonder that small businesses delay the decision to buy a computer. With at least 150 makers, and more than 700 different models, of personal computers available, the choice is bewildering. And that is just the machines. Next comes the question of software that can be purchased to run on them.

Each company has individual ways of running its business, so by and large, no computer system is going to meet its exact requirements.

Prices of computers can vary widely from about £400 to more than £10,000. They can be small enough to carry around (the portables) to sit on your lap (transportable) or desk top machines. They can come with detachable keyboards and a variety of display screens from conventional cathode ray tubes to liquid crystal technology.

Choosing the hardware—the computer itself—means that several factors have to be taken into account. The computer world is full of jargon which provides the yardsticks by which a machine is compared. A few of these terms are worth committing to memory.

One such term is the operating system. This is simply the set of housekeeping programs which give the computer its working characteristics. These sit in the permanent memory of the machine and are fixed.

The operating system is responsible for the way in which the computer controls all the application programs such as accounting, word processing, and stock control which have to be entered into the machine when it is switched on.

Operating systems are important in that they govern the amount of application software which is available to run on the machine.

For example, CP/M, MS DOS and Unix are just three popular operating systems. CP/M developed by Microsoft in the U.S. was the first to be aimed at small business computers, and other software companies have written many programs to work under this operating system.

Unix is mainly for the newest generation of 16 bit computers. All these are supported by a large number of companies

COMPUTERS

ELAINE WILLIAMS looks at some of the ways to choose your mini or microcomputer and some of the computer applications for the small business.

which independently sell computer programs. Some machine makers have developed their own operating systems which restricts the amount of software available, while others offer a choice of operating systems when a customer buys a machine.

Eight, 16 and 32 bit refers to the way in which a computer handles numbers. An eight machine can perform calculations on strings of binary characters eight bits long. A *bit is a one or zero used by* computers as the basis of all mathematical calculations. The longer the string of digits, the higher the number that can be handled and generally the *faster the machine can perform* more complex calculations.

Sixteen bit computers are now the most popular business machines, while 32 bit ones are being increasingly introduced. *The problem is that often it is* not possible to directly transfer programs which run quite happily on a 16 bit to a 32 bit computer.

Compatibility is a problem. Until now, most major computer manufacturers such as IBM, Wang, Olivetti, Texas Instruments, Philips and Hewlett-Packard have avoided making machines which can communicate with each other or at least allow programs written on one machine to run without alteration on a rival's computer. Even standard programs such as WordStar, a word processing program, have to be slightly altered for each maker's machine.

There is big business in making so-called "look-alikes." These are computers which are similar in operating characteristics to the well-known makes such as the IBM PC so that programs need no adjustment. Burroughs new 825 computer can also use IBM software directly while also using its own-designed programs, so awareness is growing about the needs of customers.

The operating system takes up room in the computer memory, but the machine needs space to run the applications. The amount of room for carrying out tasks is quantified as thousands of bits or kbits/kbytes of memory. Since the information in this part of the computer's brain is constantly changing, special circuits called random access memory or RAM are employed here. Random access as the name implies allows the computer's processor to enter and change data anywhere in any order in this memory.

The important question to ask is not just the total amount of memory available but how much is left to carry out calculations once the application program has been loaded into the computer. This can often restrict dramatically the working capability of a small computer system which is already limited in memory. There seems also to be an unwritten law which says that however large a memory you think you need it will never be enough.

Data store

Apart from the computer's working memory, there *is* a need to store data in word processing, for example this includes letters and reports, which can be referred to and altered at a later date. With random *access memory all information* is lost when the power is switched off at the end of the day so there is need for a more permanent store.

Such data stores come in several times. With the basic hobby computers such as the BBC micro, the lowest cost storage is conventional audio cassette tapes, but for business applications this is very unsatisfactory as it is a very slow way of recording and reading back data.

To meet this need, floppy disks are popular. These come in various sizes and resemble audio single discs. On one or both sides, data is stored magnetically in tracks. Storage can vary substantially but is typically more than 100,000 bits per side for a 5¼ inch diameter disk. Sub-four inch disks are becoming more evident especially for ranges of portable machines where weight and size must be kept to a minimum. *These come in either a* hard shell or conventional protective sleeves to prevent damage of the tracks which as a result of dirt, dust and finger marks.

Floppy disks can become limited in capacity for applications which need a lot of record keeping and are often used with a second type of disk known as a hard, fixed or Winchester *disk. Such disks* comprise a small drum on which data is magnetically stored but have a capacity which can be counted in millions rather than thousands of bits.

Prices and sizes of these hard disks have dropped in recent years and will continue to do so. Most of the larger professional personal computers offer the option to have these fitted *and are useful for companies* which have a need to store large amounts of information. It is always a good idea to enquire if a model can be upgraded later to incorporate such a disk.

Hugh Routledge

Businessmen tour the recent "Which Computer Show" at the National Exhibition Centre, near Birmingham. In the foreground is the Apple stand

Manufacturers such as IBM, Wang, Hewlett-Packard, and Epsom tend to offer customers the choice of hard or floppy disks with the option to add more data storage capacity when it is needed. The ability to expand in this way should be borne in mind when considering buying a system.

Software

Another important factor is software. A small company may want to use a computer to run nearly every aspect of its operations from stock control, payroll and word processing, for example. Here the potential buyer has a choice. Either he can buy programs directly from software companies or buy all he *thinks he needs from the* computer supplier.

To make the choice of software easier and to ensure that it can run on the right computer there is an increasing *trend in the personal computer* world to sell "bundles" of software. This means customers do not have to go to the trouble of buying software independently. Several of the larger microcomputer manufacturers now offer this facility. They usually offer software packages from leading companies such as Lotus, Microsoft, Softsel and Compsoft.

Apart from the computer and software, would-be users need to consider other perihperal equipment such as printers. Here again choice is bewildering. Printers come in various qualities and cost. For example, if a company needs to produce high quality letters then it is wise to choose a so-called daisy wheel printer. Matrix printers more suited to other applications are generally cheaper. Printers can also be of impact type rather like conventional typewriters or even thermal. It really depends on the quality and price one wants to pay. Most computer makers are compatible with major brands. A large maker of printers is Epsom and Canon both of Japan.

Computer makers have realised that many potential customers are deterred by the thought that they must actually use a keyboard for the first time *in their lives. So they have* devised ways in which users avoid this. For example, Apple employs a "mouse" where the user simply points a small hand held device over a set of in*structions.*

Hewlett-Packard has introduced a touch screen so all one has to do is touch part of the display to instruct the computer and Texas Instruments has re*cently announced a facility to* its personal computer range to allow users to talk to the computer to carry out instructions. The computer can even talk back.

So there *is* infinite variety. Most computer companies sell their products through networks of dealers who can also supply software. Burroughs, for example, have built up a *national network* but also have a telephone "hotline" where any customer can seek help in using its computers regardless of where the product was purchased. Often a first-time computer user does have problems and it is advisable to ensure that a dealer or manufacturer does have facilities to provide training, advice, maintenance and repair.

Computer applications: Elaine Williams shows how three very diverse companies have successfully applied computer technology to their individual business needs.

How to sort out the competition

GUNSON'S SORTEX is a company which employs just over *200 people. With a turnover of* £10m it is a world leader in the field of sorting machinery which uses a colour detection to separate good products from bad. This can be anything from *rice and potatoes to coffee* beans, sesame seeds to titanium.

One of the reasons that it has managed to fend off competition, particularly from the Japanese, in this cut-throat *business is by the extensive use* of computers. This covers a whole range of applications from designing the advanced printed circuit boards which make up the electronic part of a sorting machine, to part ordering of components for shop floor assembly.

Only a few years ago, the company's equipment had little or on electronic circuitry. Now its major development work is reliant upon the development of computer software which controls most of its sorting machinery.

On nearly all of the 30 or so engineers' desks at its East London headquarters lie small personal computers. Designers use them for writing the control programs and a new sorting machines machine may need up to eight man years of software development.

In the future the company hopes to introduce small computers which will carry out the mechanical design of cases and other components as well as its electronic circuitry.

High technology contrasts sharply with Gustav Horwitz, a Swedish company which makes underwear with the Jockey brandname. It has recently invested in several IBM personal computers which will be used for administration and stock control.

Horwitz's need for a computer is highlighted by the fact that even a relatively uncomplicated product such as underwear can come in 2,000 different types. In essence there are only 12 basic styles but these come in eight sizes, eight colours and many qualities and materials. Every year the company makes 200,000 dozens of men's underpants alone.

It is also a very competitive market with the added problem of rapidly changing fashion. *But as a manufacturer, Horwitz* has to commit itself to manufacture up to 18 months before the product reaches the high street. With only 70 employees, the company has to *be able to keep tight control of* its finances and future development.

It was therefore the reason why Horwitz adopted IBM personal computers and financial *software called Lotus 1-2-3. This* is a spreadsheet program which allows the user to keep track of sales and perform "what if?" calculations to predict the effect of changes in the market.

The company is so pleased with the result that it has decided that it might offer the skills it has built up in using the system to sell to other companies considering setting up similar applications.

Just the ticket

It was tickets which prompted the Philharmonia Orchestra to buy a computer. Here a TeleVideo computer takes over the very tedious job of printing and issuing tickets plus all the accounting.

Until this system was installed last year, staff at the orchestra's headquarters had to do everything manually. Batches of tickets printed by the Festival Hall ticket office, for example had to be printed up to six months in advance of a concert. Not only did people have to account for the sold tickets but also keep track of unsold seats which had to be returned to the Festival Hall about one month before the concert began. Any unsold but unreturned tickets were the responsibility of the Philharmonia.

The orchestra sell mainly through subscription and it offers members a wide choice of discounts. Now the computer prints tickets directly so that there are no unsold seats and accounting is automatic.

In addition the system produces standard letters, Press releases and artists contracts. Eventually, short biographies of all the orchestra's artists and programme notes will be stored on the computer.

Moves to cut red tape and increase training

FEW VOTERS at the time of the last General Election can fail to have heard the Conservative Party's claims to be the faithful friend of small business. Speeches were liberally sprinkled with references to the entrepreneur, the wickedness of monopoly power, and the virtues of self-help.

UK Government policy

TIM DICKSON

Candidates frequently, and enthusiastically, cited the famous 108 measures specifically for small firms in their electoral speeches, and, as one newly elected MP gratefully pointed out afterwards, the small business package undoubtedly proved a major electoral asset.

Whatever you feel about the details of policy the present Government can justifiably boast that small businesses are today more widely discussed than at any time in recent history, that more people than ever are thinking of setting up on their own (and not just out of desperation on the dole queues), and, just as significantly that large companies are slowly being influenced by the fundamental change of culture which many of the recent measures and pronouncements have inspired (for example, through management buy outs and involvement in enterprise agencies).

Impression

Yet, one year into the second Conservative term there is a feeling that the small business programme is running out of steam (as evidenced by the watering down of the Loan Guarantee Scheme, discussed in a separate article, and the lack of any major new schemes in the last 12 months). How much this stems from the unreasonably high expectations of the small business lobbying organisations (some of whom want positive discrimination for their members) and how much from a cooling of the Government's collective commitment to the sector is hard to say at this stage.

Some Ministers privately feel enough has now been done—arguing that they have created the right sort of environment in which small businesses can thrive. The continued tight cash limits imposed by the Treasury are nevertheless acting as a brake on those within Government (notably at the Department of Trade and Industry) who feel there is scope for more to be done.

With the UK economic recovery gathering pace, however patchily, it is not altogether surprising that small business policy is changing in character. There has always bene something inherently contradictory about a Government with an avowedly non-interventionist philosophy introducing more and more subsidies to help the small firms sector—the LGS, the Small Engineering Firms Investment Scheme, and the various high technology aid schemes as well as a host of tax based incentives.

These measures can perhaps be justified in the midst of a recession — when small firms tend to be hit hardest—but they are less desirable for a Government which believes in market forces when demand picks up.

Such thinking has certainly been fed into the recent "repacking" of small firms schemes being carried out by the Department of Trade and Industry under the direction of Small Firms minister Mr David Trippier. Appointed after the 1983 election Trippier, inevitably, has found the going tougher than his predecessor Mr John MacGregor who held the reins at a time when most of the new schemes were being launched.

The Government now accepts that the sheer number of different measures simply confused the end user, that some were not working or were just not taken up and, as Trippier points out, that "the vast majority of people in small firms were not aware of what was being done." A major publicity campaign was launched last spring—and has been continued this year—but the repackaging which has strong Prime Ministerial backing and has yet to be announced, is widely seen as an important step forward.

Negotiations have been protracted — with officials and ministers at the DTI fighting for their own pet schemes—but it now appears that policy broadly will be divided into just four major areas—export aid, regional schemes, advisory schemes, and grant support.

Trippier, himself identified most closely with enterprise agencies — "partnerships" between local authorities and the private sector which ideally act as a focus for small businesses in their own community, which offer advice on marketing and general management as well as providing other non-financial services, and which "signpost" other public and private sector support.

His interest stems largely from direct involvement in the Rossendale Enterprise Trust in his native Lancashire, one of the more successful agencies which he believes to have played an important role in reducing local unemployment from 19.1 to 12.8 per cent.

Trippier stuck his neck out shortly after the election by calling for the creation of 300 agencies over three years—a forecast he feels was vindicated recently by the opening of the 200th agency in Cambridge just 12 months after he made the pronouncement. Some observers though are worried that the bandwagon is moving too fast, that the quality of some of the newer agencies leaves much to be desired and that in some areas they are overlapping with other small firms organisations.

While Trippier sees enterprise agencies "in the vanguard" of local small business support and "the nearest thing to a 'one step shop,'" he nevertheless wants a continuing role for the 12 regional centres of the Government's Small Firms Service. These answer queries over the telephone and inquiries "off the street," as well as providing counselling through a squad of retired businessmen.

Efforts, for example, are being made to encourage co-operation between enterprise agencies and Small Firms Servie counsellors, who are now urged to do their interviews on enterprise agency premises. Significantly the most recent recruits to the counselling teams tend to have been specialists, rather than the jacks of all trades who had been typical hitherto.

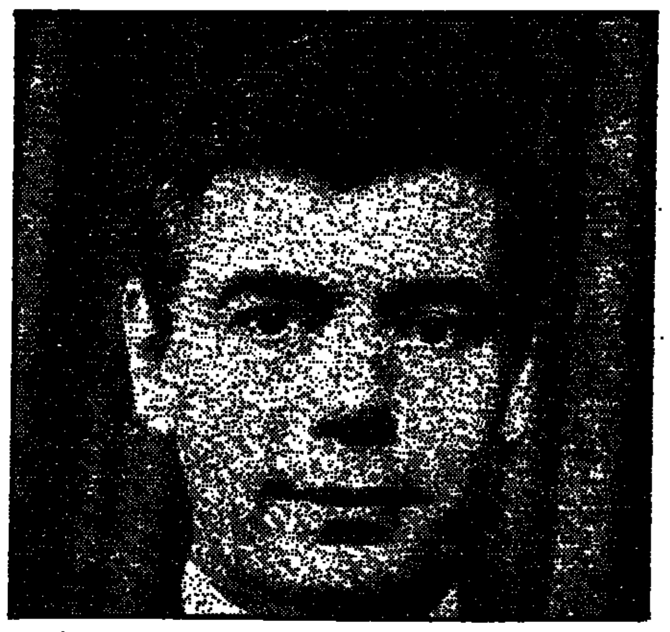
Small businesses are more widely discussed today in Britain than at any time in recent history. The Government also launched a major publicity campaign last Spring. Advice and management training are two of the major emphases.

Advice and management training are the two themes Trippier is likely to push in the coming months. "We have concentrated a lot on trying to get people started," he says, but "we need to do more to stop established businesses going into liquidation. I am greatly encouraged by the large surplus of company 'births' over 'deaths' in the last four years but we still need to reduce the 'deaths'."

Philosophically, he is against grant schemes which "distort competition" and favours giving financial support through the tax system. The Business Expansion Scheme (reviewed elsewhere) "is working very well and needs to be pushed more."

Other "priorities" are a reduction in form filling and bureacracy and he will be looking at other Government Departments which might unwittingly be creating problems for small firms. Trippier is also keen to do something on employment legislation and instinctively feels that some public sector contracts should be reserved for firms of a certain size (as in the U.S.). Figures showing the percentage of Ministry of Defence business currently going to the small firms sector, however, will not be available until the end of the year.

All these are bold ambitions—but while Trippier inevitably has a high profile job, he is dependent on others to carry through many of his ideas.



Mr David Trippier, Britain's Small Firms Minister: "The vast majority of people in small firms were not aware of what was being done"

UK SMALL BUSINESS LOAN GUARANTEE SCHEME

National loan totals for period from June 1981 to April 1984

	Number cumulative	Loan value (£m) cumulative
Guarantees issued	14,648	481.0
To new businesses	7,877	252.4
To existing businesses	6,771	228.6
To manufacturing businesses	6,409	236.0
To construction businesses	313	10.3
To retail businesses	2,195	53.7
To other service businesses	5,731	179.0
GUARANTEES ISSUED BY REGION:		
England:		
North Eastern	625	18.9
North Western	1,954	69.2
Yorkshire and Humberside	1,175	38.6
West Midlands	1,271	40.5
East Midlands	936	31.1
South East	5,511	196.6
South West	1,317	41.4
Scotland	1,019	29.9
Wales	684	20.7
Northern Ireland	156	6.1

More than 14,000 businesses have benefited so far

Scheme lives on despite changes

Loan Guarantee Scheme

TIM DICKSON

THE FIRST businesses to be supported under the Government's much-changed Loan Guarantee Scheme will be getting their money this month.

The much-trumpeted scheme is still alive — in spite of fears that it might have been scrapped at the end of May when the three-year experiment officially ended — but critics claim that it has been dealt a devastating blow by two important changes.

The Government is now providing guarantees covering only 70 per cent of loans made by the 30 participating banks and institutions, instead of 80 per cent as before. And the premium borrowers have to pay for this privilege — intended to finance losses — has gone up from an annual rate of 3 per cent to 5 per cent on the reducing balance of the amount guaranteed (placing an actual cost of 3½ per cent on the loans over and above interest payments to the banks, compared with 2.4 per cent originally).

Mr David Trippier, the Small Firms Minister explained: The purpose of these changes is "to reduce the public expenditure cost and ensure that the potential beneficiaries of the scheme are more closely defined."

Introduced in June 1981, the LGS has so far been used by more than 14,000 businesses (see table) and according to the banks which actually provide the money (including the four major high street ones) has filled an important gap in their "product range." Although its aims were never clearly spelt out, the measure appears to have helped a number of businesses without the sort of record required to raise finance through normal commercial channels, or whose proprietors were unable or unwilling to offer assets as personal security.

Take Hunter Electronics of Maidenhead, for example, which assembles imported electronic components and re-exports them to the U.S. Started in late 1978, the company had exhausted all its credit lines with Midland Bank and could not have borrowed any more through the normal commercial channels, even though the bank felt the business was basically viable. With the help of a £75,000 loan under the scheme net losses on £500,000 of turnover have been turned into profits of around £100,000 on turnover of £1.3m for the year most recently ended.

Unfortunately, there is another side to this coin. For larger numbers than expected have gone into liquidation, thereby triggering the Department of Trade and Industry guarantee. At the last count, the net cost to the taxpayer was £40m. Many small business lobby groups and backbench Conservative MPs argue that the casualty rate among start-ups and businesses outside the banks' normal lending criteria is bound to be high—but that jobs created by the survivors, and the economic activity they generate in the process, outweigh the disadvantages.

Intention

The Treasury, however, intended the scheme to be self-financing and was only prepared to see the scheme continue if losses could be reduced. (An independent review earlier this year by the accounting firm Robson Rhodes estimated a failure rate of one in three).

IT is too early to judge how borrowers and lenders will react to last month's changes in the scheme, which obviously add significantly to the costs they incur.

Some businesses, of course, will have no alternative to the LGS (and many of these will be wise to abandon their plans rather than be crippled by higher financing charges); others may decide to offer personal security and take money from the banks under one of their own schemes, or else give away equity. Critics of the LGS argue that it would be no bad thing if more businesses persuaded to widen their capital base.

Bank managers as a breed, meanwhile, were sharply criticised in the Robson Rhodes report for poor appraisal of new customers and inadequate monitoring of businesses once the money had been lent.

But in spite of much private discussion round this subject, nothing seems to have been done, except that the certificate on which details of borrowers are filled in, and which goes to the DTI for approval, will in future contain more information.

With half as much risk again on their books as before (30 per cent, against 20 per cent), the banks are bound to be more cautious about which businesses they back. Otherwise they will have to push up their own charges (which range from 1½ per cent at the Co-op Bank to 2½ per cent at Midland and Barclays)—a development which would not only tighten the screw further but would be highly unpopular all round.

Plenty to grumble about in Lawson's reforms

UK Budget changes

TERRY GARRETT

MR NIGEL LAWSON'S first budget was acclaimed instantly for its reforming approach to distortions in the tax system and its encouragement to businesses to focus on the purely economic advantages of a given decision rather than its tax benefits.

But, though industry in general regard it—along with the ensuing Finance Bill—as a budget for enterprise, small businesses have felt they have more reason than most to cavil.

The *National Federation of* Self Employed and Small Businesses said in immediate reaction to the Budget that those it represented were "bound to suffer." "Capital and corporate tax changes reveal the Chancellor's definite big business bias. . . The Chancellor has not distinguished between *small* businesses and other limited companies with his "tax neutral" measures. The latter have benefited, the former have not."

The measure which raised small businesses' hackles most was the withdrawal of 100 per cent first year capital allowances, justified by Mr Lawson on the grounds that: "We need investment decisions based on future market assessments, not future tax assessments."

Britain's Chancellor, Mr Nigel Lawson: His corporate and capital tax changes reveal a "definite big business bias," according to his critics. But some changes have been welcomed.

Phased out

The first year allowances were cut to 75 per cent with immediate effect, to 50 per cent from March 31 1985 and abolished from a year later. An annual allowance of 25 per cent would then apply from the date expenditure was incurred. On industrial buildings, the initial allowance was cut to 50 per cent from 75 per cent, to 25 per cent from March 31 1985 and abolished from a year later, with a subsequent annual write-off of 4 per cent.

The federation said the previous allowances had allowed small businesses to expand and become more efficient, and that small haulage firms, for example, would not now exist if they had bought capital assets out of profits subjected to normal tax rates.

The Chancellor's cut in corporation tax meant for small companies a reduction from 38 per cent to 30 per cent with effect from the 1983 financial year. But, this was small comfort to the federation: "Many small incorporated firms do not pay corporation tax, and of course the unincorporated business is not subject to corporation tax as it is taxed on its income and subject to income tax." The Federation predicted the decline of many smal family firms.

In addition to these major changes, there were several other which will have aroused no opposition among small businesses.

- Stamp duty was halved to 1 per cent, and the threshold above which it is applicable,was raised to £30,000 from £25,000. This was a boost to the housing and construction industry.
- The investment income surcharge was abolished.
- The 1 per cent national insurance surcharge was abolished.
- Share options made available to directors and employees were granted more favourable tax treatment. For existing savings related share option schemes, the upper limit on monthly contributions were raised to £100 from £50. New non-savings related schemes, with effect from the beginning of the next financial year, will attract capital gains tax rather than income tax. In addition, tax will become payable only when disposal of the shares has taken place.

The smaller firms council of the Confederation of British Industry, while welcoming the share option change, believes the new tax treatment should apply to existing shareholders.

Other changes made by Mr Lawson are, however, vigorously opposed by small businesses:

- Value Added Tax was applied to alterations to existing building and civil engineering works, to the erection of buildings such as sheds and greenhouses in private gardens and on goods installed as fixtures in new buildings. The move was bitterly criticised by the building trade.
- VAT was also applied to hot takeaway food and drink. The federation estimated that some 3,000 businesses are in danger of closure as a result.
- Vehicle excise duty was raised on cars, light vans, and heavy lorries, but reduced on light lorries. As well as raising petrol prices by 4½p, the Government lifted derv prices by 3½p.
- Cigarette prices were raised 10p, putting greater pressure on small tobacconists.

Mr Lawson made no change in important advantages enjoyed by small businesses, leaving enterprise zone and small workshop allowances for plant and machinery unchanged at 100 per cent.

He made only one change in the Business Expansion Scheme, introduced last year as the successor to the *Business Start-up Scheme.*

The BES offers tax relief to individuals investing up to £40,000 a year in new shares of unquoted UK companies. This year's change was to exclude investment in farming from the scheme.

Among other changes affecting small businesses were:

- Abolition of stock relief, an allowance for rises in the value of companies' inventories that merely reflected inflation.
- Importers can defer VAT by only an average of one month, bringing VAT payments into line with customs duties.

Value Added Tax on takeaway food is vigorously opposed by businesses in the catering sector. The Confederation of British Industry estimates that as a result of VAT increases, 3,000 businesses are in danger of closure

UK's first 'Small Firms' Enterprise Week'

IF, by the end of next week, you don't know just a little more about the help available for small businesses in Britain, the chances are *you never will.*

For when Mr David Trippier, the Small Firms Minister, meets the 10,000th business person to be counselled by the London Small Firms Centre tomorrow, he will also be launching Britain's first "Small Firms Local Enterprise Week." (Strictly speaking, the event runs from June 18-22.)

This will be an unashamed public relations exercise by the Department of Industry which wants to generate greater awareness of all the organisations throughout the UK which assist sball businesses to start up and grow. (It also hopes to promote its own schemes more widely.)

More than 200 organisations will be taking part—ranging from local enterprise agencies, local authorities and chambers of commerce to entrepreneurs and small businessmen "*in the forefront of innovation and enterprise.*"

Scores of events, such as Mr Trippier's visit later tomorrow to one of the newest and one of the oldest firms in the London Docklands, have been planned up and down the country and will be publicised locally.

Anyone wanting to find out what is going on in their local area, however, can also ring the Department of Trade and Industry Press Office: 01 215 4293.

Tax breaks bring in investors

Business Expansion Scheme

TERRY GARRETT

OBTAINING venture capital to start a business or expand a small existing operation has proved a stumbling block for many a budding entrepreneur. Potential investors are wary of backing a business, or manager, without a track record while it may be almost impossible to obtain a track record without a capital injection.

For years sources of capital were either a handful of specialist institutions such as the Industrial and Commercial Finance Corporation, or a friendly great aunt willing to part with some of her savings. The small business sector was largely a neglected investment medium.

The Government's Business Expansion Scheme was introduced in the 1983 Finance Act to encourage investment in small expanding businesses by offering substantial tax breaks to investors. One year on the scheme has proved reasonably successful in terms of encouraging investors, but there must be *some question as to whether the* funds being channelled into industry are reaching the targets that the Government envisaged.

Under the scheme private individuals can claim tax relief at their top rate on investments of new equity in most unquoted UK trading companies up to a *maximum of £40,000 per year.* So an investment of £10,000 in a company, or specialist fund set up to handle BES money, will cost a 60 per cent taxpayer only £4,000 after tax relief. The attractions are obvious.

The Government is in effect subsidising investment in small and, it is hoped, growing concerns. *Encouraging* the entrepreneurial spirit is an ideal close to the administration's heart.

The first year of operation saw an avalanche of funds launched to direct cash into suitable companies. The Inland Revenue scrutinises the investments to ensure that they are within the categories eligible to receive tax relief.

Many individuals took advantage of the BES to invest in companies direct, usually local enterprises. Most investors have opted for funds spreading the risk over seven or eight investments. If a couple fail completely, one flier in the group can more than compensate.

Funds have been developed by the leading City institutions, such as Charterhouse, Granville and Lazards. A few specialist regional funds have also been developed. Yorkshire Capital Ventures is aiming at investments in the Yorkshire area and Mercia Venture Capital is concentrating on the Midlands.

Farms excluded

Not all of the BES operations have been greeted by the authorities with enthusiasm. A handful of funds were launched for farm investment and land reclamation. From the word go these looked like abuses of *the system.*

The BES was not about pulling together high rate tax payers into joint ownership of a farm business which might be floated off as a public company or sold five years later to produce a capital profit. The Chancellor put a stop to that in his latest Budget and farming no *longer* qualifies as a BES investment.

The BES was designed to draw money into more speculative homes, with a high return for high risk. However, so far the fund managers have tended to back businesses with a track record. Green-field developments have largely been shunned.

Indeed, there have been cases where BES schemes have been competing with merchant banks and other investors to finance a company. This is not what BES is meant for.

Of course, the managers' primary duty is to maximise the return for their investors. Any manager who invested only in *start-ups* might be encouraging new business, but he would be incurring high risks for his investors.

Anyone contemplating setting up a business — whether it be based on a management buy-out, a brand new development concocted by an investor, or a co-operative formed by redun*dant workers* — should consider aproaching one of the BES funds for equity capital.

However, the funds are, for the most part, very selective in their investments, and a proposition has to look pretty watertight to receive backing, particularly at this time of year.

The art of the BES fund *management* is to invest the cash within the tax year it is raised. Hence there was a bout of hectic activity in the first quarter of this year. Fund managers have nine months before another fiscal year closes and can afford to be a bit more demanding.

Universities in closer links with industry

ACADEMIA

Increasing efforts are being made by the UK Government, venture capitalists and others to encourage more links between small businesses and the academic world, as PETER MARSH reports here.

IN RECENT years, academics in Britain have been more inclined to climb down from their ivory towers and enter the rough-and-ready world of business.

Most of Britain's 45 or so universities have set up formal mechanisms to instil a sense of partnership between their staff members, particularly in areas of science and technology, and local industry.

The developments include the establishment of university companies to handle research contracts between the institution's staff and the outside world or to marshal the "spinning-off" of new enterprises from university departments.

Academic institutions often encurage their technical and scientific staff to do consultancy work for industry, or even run their own companies in their spare time. This is on the grounds that such contact with the outside world sharpens their intellect and makes them more suited to the prime job of the universities—teaching students.

Universities have also been keen to set up, usually near to or within their own campuses, small industrial estates, or science parks, which can act as a focus for companies involved in science and technology and which can draw on the expertise of academic departments.

About a dozen estates of this kind exist in the UK. They include the science parks associated with Heriot-Watt University, Edinburgh, and the universities of Cambridge, Aston and Warwick.

New moves

Acting as a backcloth to these initiatives by the universities is a range of moves by government and other bodies to make academic activities more relevant to the needs of industry.

- The Science and Engineering Research Council, a body funded by the Department of Education and Science, is pressing for more liaison between industry and academoa. For example, the council sponsors "teaching companies" in which university researchers work side by side with people from companies on specific technical projects.
- The Advisory Council for Applied Research and Development encouraged the Government last year to give special grants to universities and other academic institutions that conduct research useful to industry. The grants could amount to some £15m a year. The DES and the Department of Trade and Industry are still considering this recommendation.
- The Committee of Vice-Chancellors and Principals has set up an industry committee to encourage dialogue with the business world.
- A few weeks ago a private fund was established to encourage the application by British industry of ideas generated from universities. The fund is managed by Investors in Industry, the British banking group, and Research Corporation of the U.S.

Small businesses are likely to be particularly affected by these developments. They may, for example, see the local university as a convenient source of expertise in an area of technology.

More excitingly from the point of view of those who see Britain's economic salvation in the shape of the increased generation of small companies, academic institutions can act as the breeding grounds for new enterprises.

Examples

Several universities try to encourage this through subsidiaries that nurture ideas generated from the university, for example by arranging for product development or fixing up external finance for marketing work.

Among these is Queen Mary College Industrial Research in London, which owns companies tht sell technical instruments and devices that anchor structures to the sea bed. Similar entities are Aberdeen University Research and Industrial Services, which supervises enterprises involved in bacteria for industrial processes, sales of old maps and the production of TV films and Vuman, a subsidiary of Manchester University, which sells computers, robots and lasers.

Cambridge is the best example in Britain of a university centre that has produced a range of companies associated with the academic institution. In this case, the university has taken virtually no formal steps to promote an intermingling of academics with the business community.

Nonetheless, stimulated by the success in the 1960s of a small number of companies started by people formerly at one of the city's colleges (these enterprises include Cambridge Consultants and Applied Research, the computer-aided design company) about 50 firms in or around Cambridge can trace their origins to the university.

At least a dozen have evolved as a result of people leaving the city's Computer-Aided Design Centre, formerly a government research laboratory which is now owned privately. The centre has been closely involved with thet university since it started up in 1969. Much of the software on which the laboratory based its early work was devised at the university's computer laboratories.

The dream of many university towns—and Cambridge has about the best chance in Britain of turning this into a reality—is to emulate booming "high technology" area of the U.S. which have derived much of their economic health from interactions with academic institutions.

The most quoted examples are Silicon Valley in California, whose growth has been spurred at least in part by the stream of bright academics graduating from Stanford University, and the area around Boston, which has a similar relationship with the Massachusetts Institute of Technology.

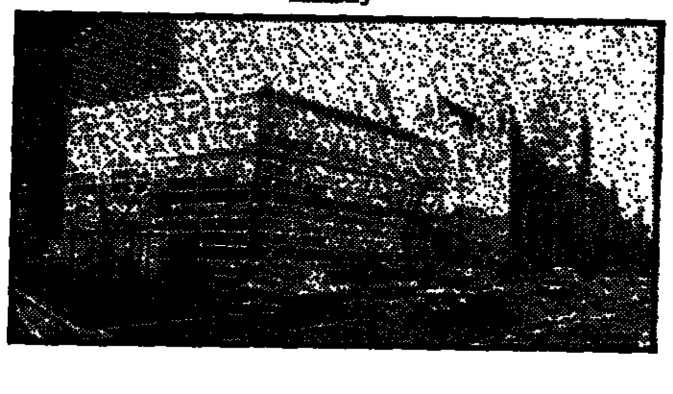
Observers in Briain should not become too carried away with comparisons with the U.S. That, at least, is the view of Prof Michael Hampshire, head of the electronics department at Salford University, who is one of the UK's most industrially minded academics.

"The setting up by academics of new companies is no longer a totally rare occurrence—but it's still not common.

The situation has certainly changed from the 1970s when universities were in general antagonistic to this kind of development.

"The attitude then by university authorities to requests for staff to get involved with industry was, 'Certainly you can do it—as long as you hand in your resignation on Friday'."

Cambridge (above) is the best example in the UK of a university centre that has produced a range of companies associated with academic institutions. Below: Manchester University. There are moves by the Government to help academic activities become more relevant to the needs of industry



Key factors

According to Prof Hampshire, the increased interest in industrial work by academic staff has been due to two factors. First, public spending cuts have squeezed the universities financially, making them more ready to generate income by doing research for companie

The second factor, according to Prof Hampshire, is the declining performance of British industry which has opened up niches in the market place for the technically aware academic to exploit.

Prof Hampshire has helped to set up two companies, both subsidiaries of Ward and Goldstone, a Manchester manufacturer of electrical accessories. The subsidiaries are Pensec, which makes piezo-ceramic noise generators for burglar alarms, and Salpex (in which GEC now has a majority stake) which has designed a new kind of wiring harness for cars.

Prof Hampshire was also one of the founders of Vertec, which sells industrial control systems developed at the university's electronics department.

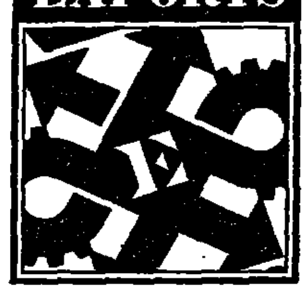
The policy in Professor Hampshire's department is that staff devote half of their non-teaching time to activity involving industry. He has a few words of warning, though. "Industrial interaction by academics is not easy—it's not for the faint of heart.

"Some members of staff don't do this kind of thing, and shouldn't — they'd have a nervous breakdown. If you are not A-1 on top of your job, then you shouldn't get involved with companies because your feet won't touch the floor."

High costs hinder export ventures

THE COST of breaking into overseas markets is much the same for all companies, whatever their size. Small businesses are understandably hesitant about taking on the heavy administrative and financial burdens of studying, visiting and nursing new markets, however attractive they may superficially appear.

EXPORTS



Selling overseas can open up major opportunities for small companies—but breaking into new markets can also be hazardous. CHRISTIAN TYLER looks at the incentives and range of services available to British companies looking for larger order books abroad.

They may also be wary of committing themselves too heavily to the necessarily limited number of foreign countries that can be properly serviced by one or two export salesmen. For example, Nigeria's inability to meet its trade payments (presently being rescheduled) came as a nasty shock to the hundreds of small suppliers who, perhaps rashly, had jumped into that market to profit from a temporary consumer boom.

Financial help for small exporters from official sources is not particularly lavish, but the range of services available from the UK Government, the Export Credits Guarantee Department and the bigger chambers of commerce is very wide. Indeed, the British Overseas Trade Board finds difficulty in recruiting as many companies as it would like for its various promotional schemes.

Praised

The BoTB recently commissioned a research organisation to assess its effectiveness with the exporting community. The report gave the board high marks. Again, a Gallup poll sponsored by the Institute for Export, a mainly educational body, tended to confirm the generally high esteem in which government export aid is held.

Nevertheless, the BoTB has been compelled to advertise and to hold special regional conferences in order to make its services more widely known. It is presently engaged on a review of all its services for small companies. The findings are due to be completed within the next few months.

The ECGD has also earned a high reputation for the extent of its support. The report of a three-man committee set up by the Government to review the department's structure, functions and status (the "Matthews committee") noted in March that there was "wide appreciation of the department throughout the exporting community." But companies were less enthusiastic about the ECGD's administration. They complained of long delays and procedural complexities.

There appears to be no lack of official encouragement. There is even a separate award scheme for small firms (under 200 employees) who have distinguished themselves. Sponsored jointly by the BOTB, British Caledonian Airways and Thomas Cook, the Export Award for Smaller Businesses attracted 210 entrants this year, a 50 per cent increase. Of these 127 were manufacturers and 83 service companies.

A total of £25,000 worth of business travel and expenses was handed out to the five winners, one of which boasted a staff of just three people. The combined export turnover of all the entrants was over £188m in the year to March 1983 on which they were judged.

Throughout the year the BOTB offers news of tenders, market research, technical help and market entry programmes. The export intelligence scheme gives its subscribers, for 35p an item, details of overseas demands for products, mainly collected by British Foreign Office staff.

Commercial officers of overseas embassies will also make reports on local market conditions and the competition in specified products—the market prospects service. The cost of the report, £150, can be refunded as a travel award if the report results in the prospector visiting the market. The Government will pay between a third and half the cost of export market research, the export representative service will find agents and distributors and the overseas status report service will monitor such agents.

The market entry guarantee scheme, designed for small and medium-sized companies, will advance between £20,000 and £150,000 to meet half the cost of overheads incurred by a company in setting up an overseas office, hiring staff and paying for travel and promotion. The BOTB charges 3 per cent flat rate interest and makes a levy on sales with a view to getting its money back. But it bears the loss if the operation ends in failure.

Trade missions organised by chambers of commerce are a popular method of acquiring preliminary contacts with a new market. Part of the cost of an overseas mission may be met by government grant. But the real benefit for smaller companies that succeed in booking places on such trips is that they can normally expect to meet senior officials or ministers of the host country as well as leading lights of the industry sector in which they are interested.

Missions of this kind are seen as especially useful for tackling markets in socialist or other centrally-planned economies where control of imports or inward investment is vested in state organisations of sometimes baffling bureaucratic complexity. Delegations arranged under the auspices of bodies like the London Chamber of Commerce and Industry may rarely result in immediate contracts. But they are a cheap and convenient way of sizing-up the prospects.

If small firms find exporting an expensive and risky endeavour, then the cost of helping them is also high. This emerged from the Matthews committee review of the ECGD. It found "a widely-held feeling" that the ECGD's service and premium charges to large exporters were "adversely affected by the proportionately greater amount of time and cost devoted by the department to servicing the small exporter."

In the five years to 1983, according to Matthews, all but the largest of the department's comprehensive short-term guarantees failed to contribute enough to cover the cost of administration and claim payments. About 40 per cent of the smallest policies produced less than 3 per cent of premium income and accounted for nearly 20 per cent of administration costs.

The committee noted that schemes whereby small exporters can obtain export insurance through policies taken out by banks, and export houses had been "only modestly successful." It recommended that a reformed ECGD should not have to meet the cost of services to small exporters beyond its obligation as an insurer. These costs should be met out of funds voted to the new ECGD by Parliament. At the same time the private sector should be encouraged to find ways of providing simpler and better services to the small business.

SMALL BUSINESSES 11

Clubs enhance business knowledge and provide a forum for sharing information

Big growth of small business clubs

Representative organisations

TIM DICKSON

"WE WERE running evening courses about managing a small firm," recalls Mr Terry Faulkner of Trent Polytechnic's Small Business Centre, "and a few people decided it would be nice to meet in a more informal way. One of my colleagues quickly researched the market, we then gave them our course mailing list and the help of my secretary, and it's just taken off from there."

Trent Small Business Club, which started in 1980, today boasts more than 200 members, a full-time administrative officer (funded by Nottinghamshire City Council), and a programme of regular meetings and other activities.

It publishes a trade directory called "Pink Pages" which is widely circulated in the area, stages an annual exhibition which this year drew 4,500 visitors, and invites outside speakers to attend its meetings.

"They have to be topical," says Mr Faulkner, who claims little credit for the club's development. "The meetings, however, are well attended and a lot of business is done over a pint."

Trent Small Business Club is just one of about 50 affiliated to the National Lisison Meeting of Small Business Clubs, a loose organisation which meets to swap ideas, compare notes and discuss new ways of spreading their gospel.

"We know that there are a great many others we don't communicate with," explains the chairman, Mr Chris Brogan, who is also chairman of the London Small Business Club.

Inspiration comes from a variety of sources. Some, for example, find a ready response from disaffected members of local Chambers of Commerce, others are created in the image of an energetic individual, whereas London (rather like Trent) was founded primarily for business people who had been on one of the weekend courses run by the London Enterprise Agency. The doors have now been opened to all-comers.

Clubs naturally tend to be local, though the publisher of "Business Matters," a new editorial-only journal for private enterprise, has recently set up a club for members offering discounts on financial services and other benefits.

The aims of small business clubs are, of course, equally diverse, though there is a broad distinction between the "club" club (the majority) and clubs run on a more business-like basis with full-time officials.

Advantages

London's 60 or so members pay £15 a year. Besides a regular newsletter, members can attend evening meetings organised either with a guest speaker or with a purely social purpose in mind. Mr Brogan firmly believes that clubs can both enhance business knowledge and provide an opportunity for members to get things off their chest in the company of friends.

"It's great," he says, "to be able to come and tell people how awful business really is and know that you'll find a sympathetic hearing. Compare this with the atmosphere at a trade fair, where everybody desperately tries to put a brave face on things and convince you that they are going to beat their sales forecast for the year."

While an increasing number of new clubs appear to be getting off the ground—not surprising, perhaps, at a time when record numbers of new businesses have been created—many find keeping the momentum far from easy.

New members may be easy to attract in the first rush of enthusiasm, but small business proprietors as a breed are not naturally gregarious and as one club chairman points out, "When you're knackered at the end of a hard day all you sometimes feel like doing is sitting down on your own with a whisky and soda."

Some club members, moreover, have inevitably been casualties of the recession and some who have not have been preoccupied with just keeping business alive.

Support for certain clubs has withered when an energetic chairman decides, for example, to redirect more of his energy to running his own business. Just this, for example, has happened recently in Sheffield. Others disappear for different reasons — Small Industries Group Northampton (SIGN), for example, decided to merge with what has become a more lively local Chamber of Commerce.

Ironically, the Teesside Small Business Club, which was established in 1973, well before the recent small business bandwagon started to roll, is suffering from a declining membership and falling subscriptions.

Through its tireless secretary, Mr Stanley Newton, the Teesside club for £30 a year offers advice on a wide range of business problems, organises a major exhibition and publishes 7,000 copies of a well read local trade directory.

As Mr Newton points out, however, free counselling and information from the Government's Small Firms' Service, local enterprise agencies and local authorities in the region has drawn away potential support, reducing membership from a peak of around 700 to the current level of nearer 480.

Free guide

Mr Newton, meanwhile, who is secretary of the national liaison meeting, has written a guide for business club founders which is available free on request from his office.*

The accompanying table gives the names, addresses and telephone numbers of the major national representative organisations and lobby groups. Encouraged by Government Ministers over the last few years, most have a strong lobbying profile and have undoubtedly influenced the small business package in successive Budgets.

Besides being a channel through which members can air their views and grievances and thereby carry some sort of "clout" at Westminster, they offer a variety of services, including advice, information and the benefit of collective insurance arrangements.

The Confederation of British Industry (CBI) is easily the largest lobby group with 300,000 members, but many small firms believe it acts against their interests. The CBI vehemently denies this, pointing out that 60 per cent of its 300,000 members have fewer than 200 employees.

The Confederation undoubtedly carries great weight with Ministers, has an unrivalled research and information resource, and represents the views of smaller businesses through its Smaller Firms Council (small here is admittedly quite substantial by some people's definition).

The Institute of Directors represents individuals, not companies, and is consistently vocal in support of the entrepreneur and risk-taking generally. It will shortly enter a new era with the arrival of Sir John Hoskyns, formerly head of Mrs Thatcher's Number 10 Policy Unit, to take over from Mr Walter Goldsmith as Director-General.

The Union of Independent Companies (UIC) is a small (200 members) but dedicated outfit committed to influencing MPs. Membership is restricted to manufacturing businesses employing more than 220 people, but it is only interested in "activists."

The Association of Independent Businesses (AIB) is one of the older pressure groups and has Lord Lever of Manchester, the independent-minded Labour peer, as its president.

The National Federation of Self-Employed and the Alliance of Small Firms and Self-Employed People and Small Businesses, and the Forum of Private Business are all primarily associated with very small businesses. The National Federation is one of the best-known, boasts 50,000 members, and is listened to on both sides of the political fence at Westminster.

The Small Business Bureau is the Conservative Party's own lobby group and is chaired by the backbench MP Mr Michael Grylls, who has been a consistent champion of the small firm.

** Thornaby Old Town Hall, Mandale Road, Thornaby, Cleveland TS17 6AP. (Stockton 607699.)*

The First Eleven

NATIONAL representative organisations and lobby groups for small businesses in the UK include:

The Alliance of Small Firms and Self Employed People Ltd
42 Vine Road
East Molesey
Surrey KT8 9LF
Tel: 01-979 2293

The Association of British Chambers of Commerce
Sovereign House
212a Shaftesbury Avenue
London WC2H 8EW
Tel: 01-240 5831

Association of Independent Businesses
Trowbray House
108 Weston Street
London SE1 3QB
Tel: 01-403 4066

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Tel: 01-379 7400

The Forum of Private Business
Ruskin Chambers
Drury Lane
Knutsford
Cheshire WA16 6HA
Tel: 0565 4468

Institute of Directors
116 Pall Mall
London SW1Y 5ED
Tel: 01-839 1233

The National Chamber of Trade
Enterprise House
Pack and Prime Lane
Henley-on-Thames
Oxon RG9 1TU
Tel: 0491 576161

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Shortage of small units at the right price

Industrial property

WILLIAM COCHRANE

UNTIL THIS year, comment on the property aspects of small business tended to focus on tax incentives, and their effect. There was an apparent absence of conventional investment or commercial interest.

For example, the statistics on unlet industrial floorspace produced by top industrial agents King and Co exclude factories or warehouses with a floorspace under 5,000 sq ft.

"Most institutions want to let to ICI for 25 years," says King's Michael Bellegarde, not quite tongue in cheek. The landlord of small premises has to cope with aspiring businessmen who may go bust, or, alternatively, succeed, expand and move out for that reason.

However, by the end of last year a number of factors in the UK were changing. Tax incentives for industrial building were described by one observer as "an unmitigated waste of government money."

Changes

Industrial building allowances (IBAs) since the last Budget, are now in the process of being phased out; so one of the prime reasons for building small units —to create tax shelter for a corporate or private "investor" —will disappear.

This is probably a good thing. Tax-shelter moves have led to some strange decisions on factories, locations and investment. It has also become apparent to some investors that the premium rents paid for small space, with good management, can compensate more than adequately for the risks.

In other words, the initiatives in nursery unit building seem to have devolved upon the people who can handle it best. Politically, that has meant local, rather than national government; at management level, it seems to be pointing at property companies, frequently small ones, which are in business to take something higher than the institutional risk, and manage it to get a much better return.

This does not mean that philanthropy is dead. British companies are becoming increasingly conscious of their community responsibility, and are finding that they can contribute more than money or expertise to new local business activity.

One group, Business in the Community (BIC), set up in June 1981 to encourage businessmen to help local communities, has so far encouraged the formation of about 170 local enterprise agencies. These are funded by local businessmen, occasionally in partnership with the local authority; frequently somebody is seconded from local business to run the agency.

Names such as United Biscuits, Marks & Spencer, British Steel ("very progressive") and BAT come up in conversation with Government departments as the sort of companies which are taking the initiative. Some agencies have stimulated the provision of small units (often when corporate members have redundant factory space themselves); some actually run the units as benign landlords; some have drawn up property registers so that aspiring businessmen can see what premises are available, and where.

"The British Steel Corporation has been very active in a number of steel closure areas," says a BIC spokesman: in Liverpool, BAT has organised a large chunk of empty warehouses into production units.

The BIC group is chary of the suggestion that symbolic, rather than commercial, rents may be charged in some areas. "If you don't charge commercial rents," its spokesman argues, "you may be putting someone elsewhere out of business."

It may be, however, that some rents are subsidised at the beginning, and scaled-up later.

Public agencies such as CoSIRA (in rural areas); English Industrial Estates; the Scottish Development Agency; and so on, have also put a lot of time and money into small units, apparently with encouraging results.

Floorspace

However, a recent Report on the Workshop Revolution* says that it is the local authorities which have made by far the greatest addition to the stock of small premises; that between 1976-82 the stock of floorspace in small units of 5,000 sq ft and below almost doubled; and that now over a fifth of all small units in England have been built by local authorities.

In Scotland, Glasgow District Council can justify its interest in small units on both social and economic grounds. Mr Tom Chiesa, deputy city estates surveyor, says that the council has built 60,000 sq ft over the past three years and that its experience as a landlord is good.

"There are 42 units, of which 39 to 40 are occupied," he says; "and at £3 a square foot for factories we are getting the highest rents in the city."

Today, says the workshop report, the number of authorities stating that their areas experience a general shortage of small accommodation are a minority. The main problem appears to be in satisfying the demand for cheap premises of only several hundred square feet—a market which could be filled by conversion of existing premises, rather than new build.

** Published in the Guardian by Martin Perry, research fellow in urban and regional planning at Coventry Polytechnic; and Brian Chalkley, principal lecturer with the department of Geographical Sciences, Plymouth Polytechnic.*

Aid at grass-roots level

Private sector involvement

IF NOBLESSE OBLIGE is alive and well in the closing years of the 20th century, it probably takes the form of private sector companies putting money and resources into helping small businesses start and succeed.

It is, of course, fair to say that most of those involved see enlightened self-interest as a greater motivation than social obligation to the have-nots, but they are still playing the role of the liberal aristocrats of yesteryear or the Cadburys, Leverhulmes, Rowntrees and Frys of the last century.

That increasing numbers are now involved was triggered by the inner city riots of 1981, particularly in Brixton and Toxteth, which forced the Government to search for political initiatives. Mr Michael Heseltine, then Environment Secretary, put pressure on large corporations at chairman and chief executive level to come up with funds to help in kind for grass-roots regeneration.

A handful of companies were ahead of him, with Marks & Spencer in the vanguard. BAT Industries, with overcapacity because of recession and new technology, had plans in the pipeline to create new jobs through small companies in areas where, like many other, though less caring companies, it had to declare redundancies.

On Merseyside, the glass giant Pilkington Brothers had set up a new type of organisation, the St Helens Trust, to help counter rising unemployment which the glassmaker saw as inevitable. It was the forerunner of the enterprise agency.

Progress

Mr Heseltine grew enthusiastic about it after one visit and within a year had pushed local large companies into sponsoring a network of them on Merseyside. Things moved apace from then on.

Enterprise agencies are now the principal means by which industry and commerce is being encouraged to help small businesses. Help is demanded in the form of money to pay start-up and running costs, and resources in the form of executives seconded to work in them full-or part-time. The agencies offer help and advice to small businesses or people wanting to start them.

Mr David Trippier, the "small business" Industry Minister, is keen on them and mushroom growth has seen numbers rise to 170 in less than three years, with another 40 on the way.

Some of the old hands in the noblesse oblige business are rather more cautious about this growth, however. Mr John Flint, the M & S senior executive in charge of the company's secondment programme, says: "We have become more selective in our support. That's not to knock enterprise agencies but some are better than others."

Original policy at M & S was, almost automatically, to give £500 to £1,000 towards start-up. In most cases this led to another pass of the begging bowl a year later to help keep the agency in funds, so the company took to funding on a two to three year basis.

But with 262 stores all over Britain and a record of always giving, M & S were among the first on everyone's list of would-be sponsors. Meanwhile, the company knew from its own experience that what usually makes for good agencies is the quality of the people, often secondees, who set up and run them.

M & S has, in fact, run a secondment programme since 1978. Mr Flint says: "Business cannot develop in isolation. We wanted to put something back into those 262 communities where we earn our living." There was some self-interest: M & S knew full well that in the final analysis all retail sales are local, so local regeneration is bound to be good for any high street trader.

The company is committed enough to spend £500,000 a year in secondee's salaries alone. There have been 55 so far, most of them working with unemployed young people, but a fifth have been involved with enterprise agencies, some of them among M & S's most promising high flyers. Mr Flint now knows better than most what it takes to make an enterprise agency work.

The implication is that some are going to fail and that there may have to be an embarrassing weeding-out before they give the total initiative a bad name. This appears to be a growing view among companies with the widest experience of modern noblesse oblige. The rush into more and more enterprise agencies is viewed in these quarters as a possibly injudicious "formula" approach.

Mr Flint says that there are three kinds of secondees: young high flyers for whom secondment is a step on the corporate ladder, middle-aged people in mid-career, and the pre-retirement group. He says it is vital for companies to match projects and people and to set up a system of regular contact and support for the one or two year secondment period. At the end of the assignment, re-entry into normal corporate life must be planned as carefully as anything else.

What is fatal to a project is to lend it the wrong executive or use secondment as an excuse to shift managerial deadwood out of sight for a couple of years. Some of this is undoubtedly going on.

The correct approach is however only possible if there is strong commitment to the whole concept in the chief executive's office. At M and S Lord Sieff takes a personal interest and put a senior executive in charge to ensure that the secondment programme was backed with managerial clout.

Investment

Boardroom commitment is equally apparent at BAT Industries, where Alleyne Reynolds, formerly corporate planner for Wiggins Teape, is managing director of the group's small businesses subsidiary.

BAT's approach has been to invest in the places where it made its money in Britain—Liverpool, London, Bristol and Southampton. With the tobacco industry under fire and shedding jobs anyway, some have criticise BAT's efforts as PR. Mr Reynolds retorts: "If you make £870m profit you don't need PR. We helped those communities grow. Now we are putting something back to help regeneration."

In Liverpool the effort is in Toxteth itself in two old transit sheds deep in the redundant dockland which the Merseyside Development Corporation is trying to bring back from the dead. These have been converted into managed workshops, with "easy in, easy out" flexible, low-cost, rental agreements. The cost was about £1.25m.

Mr Reynolds says: "The company started its social policy in March 1981. The board decided to concentrate on assistance to small firms, both new starters and existing ones, because this was an area of urgent need. In addition, our expertise as businessmen had a direct bearing."

He gets £250,000 a year to run his operation and applies separately for capital projects, which are expected eventually to break even. Actually, he expects to be in profit but has been forcefully told by his chairman not to use the word. "It is surplus cash available for recycling," Mr Reynolds says.

In Southampton the effort went into setting up the city's enterprise agency. The staff are former BAT employees but have been joined recently by young NatWest high flyer on two years' secondment.

In two years the agency has dealt with 1,700 serious inquiries, held 850 in-depth counselling sessions and helped more than 200 small businesses to set up. It also runs basic training sessions in book-keeping, handling VAT and coping with marketing problems.

BAT met the first two years' running costs of nearly £120,000 but has just passed the hat round a "supporters' club" of local companies and other bodies and got 55 per cent contributions for this year, including £10,000 from the city council.

In Bristol, involvement has been less direct, with support given to an enterprise agency and an existing initiative aimed at easing youth unemployment, the New Work Trust.

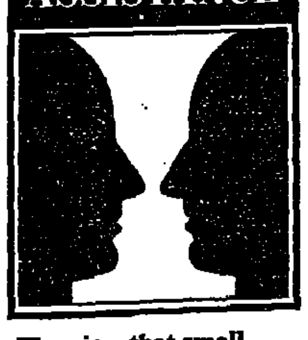
BAT's most high profile project is now under way in Brixton, where the company has bought the empty Bon Marche, built in 1877 as the first large store in London south of the Thames.

The project is costing BAT £3m but it regards the property as a sound investment. Mr Reynolds is moving his own office into The Bon, as it is known locally, where the management of the centre will be in the hands of Mr Brian Hutchinson, who apart from being a London magistrate, lives in Brixton and gave up a successful consultancy advising musical artistes so as to take the job.

The Bon will also house the Brixton Enterprise Centre, run by a joint board of BAT Industries and Lambeth Borough Council, the sort of twain that most would think could never have met. But they have.

And as though to add an ironical punctuation mark, one trading stall in the Brixton Bon Marche will be for goods made in BAT's New Enterprise Workshops—in Toxteth—which must be some sort of acclamation of the virtues of noblesse oblige.

ASSISTANCE



The view that small businesses need advice, not just money, has gained increasing support in the past year. The British Government, in particular, has put more muscle behind its own schemes, but there is no shortage of initiatives from other parts of the public sector and from the private sector.

IAN HAMILTON FAZEY highlights recent developments here and on the following page.

Highly popular system

THE ENTERPRISE Allowance Scheme is already proving to be one of the Governments most popular measures to help small businesses start up. It went nationwide last August and in its first nine months was taken up by 31,647 people.

There would have been more if cash flow had permitted. As it was, the Government has had to bring funding forward to allow 1,000 people a week to join the scheme—the budget of 800 start-ups a week was so far below demand that unacceptably long quese built up.

The scheme is designed to overcome one of the biggest disincentives faced by unemployed people wanting to set up on their own—the loss of guaranteed income from unemployment or supplementary benefit as soon as they start trading.

Under the scheme there is an "enterprise allowance" of £40 a week for a year to supplement a new business's receipts whilst it is becoming establised. This makes it a good deal for the Government: it would have to pay out the the money in some form or other if the people on the scheme remained unemployed; this way the odds are 6 to 4 in favour of their successful transfer into at least self-employment.

Enterprise Allowance Scheme

The odds come from monitoring the working of the scheme in pilot areas where it was tried out before it went nationwide. These were in Medway, Coventry and North East Lancashire (in and around Burnley, Blackburn and Accrington). Fall-out rate, mainly through people finding jobs, was 10 per cent, and 60 per cent were still in business after a year's trading.

Most of the businesses set up are of the self-employed sole trader type, such as window cleaning rounds, hairdressing, taxi driving, market trading, and peripatetic carpet cleaning. More exotic ventures have included three pop groups where all the members qualified to apply for the scheme and pooled their resources to work together. There is, of course, no way of telling how many might be transferring from the "black" to the "legitimate" economy.

Hopes are that some of the businesses will grow to turn their owners into employers but no one really expects the proportion in this category to be high. There scheme is, therefore, a way of subsidising many more people into self-employment while the removing the downside risk to them of their taking the first step.

Entry into the scheme is controlled tightly. Only people who have been unemployed or under formal redundancy notice for at least 13 weeks can apply, and if jobless they must be in receipt of unemployment or supplementary benefit.

The scheme is run by the Manpower Services Commission through specialist teams in 70 jobcentres, which must approve any proposal as suitable for support, though this must not be taken as passing a test of likely success.

Other conditions are that an applicant must be willing to work full-time in the business, have £1,000 to put in — a bank overdraft facility will suffice—and be over 18 and under pensionable age. The business itself must be new, independent and smaller than 20 employees in its first three months.

Pivotal source of help for new UK companies

THE GOVERNMENT'S Small Firms Service is intended to be a pivotal source of all available help for the small business. The principal reason is its easy national accessibility through Freefone 2444.

All the inquirer need do is dial 100 and ask for that number. The British Telecom operator then makes the connection with the nearest of 11 regional centres of the SFS around Britain. The call costs the caller nothing.

What the SFS can then offer is immediate advice about what to do or where to go next. It may simply provide a contact with the inquirer's nearest enterprise agency as a first step for someone starting up, but it is also equipped to offer complicated counselling advice, much of it free.

And with computerisation now under way to develop a database of information about how to help small businesses, the SFS's role is likely to become increasingly useful.

The SFS is, in fact, not new, having been set up by the Department of Technology 12 years ago. But its profile has risen sharply during recent years as the Government has encouraged expansion of the small business sector.

Now the SFS is working hard at promoting itself to business and community leaders—its staff will be found often these days addressing business and community leaders—its staff will be found often these days addressing business associations, or building a network of knowledge in Jobcentres, citizens' advice bureaux, chambers of commerce, local authority offices, banks, or even the offices of receivers and liquidation specialists.

Several times a year staff meet the managers of enterprise agencies in their region and the SFS's interface with banks and finance houses has stepped up continuously since the Loan Guarantee Scheme started three years ago.

The SFS, therefore, provides a link between almost everything now available to help the small business. Not surprisingly, the volume of inquiries it now deals with is rising year by year.

Dick Curry runs the SFS in the North West, where there is a regional office in Manchester and a local one in Liverpool. He says: "Last year we handled 39,000 inquiries in the region, compared with 30,000 in 1982 and 25,800 the year before.

"More and more people are making use of Freefone 4444 to get in touch with our free information service. They range from one-person ventures to larger long-established companies seeking fresh management impetus from highly experienced counsellors.

"Everything we do is, in essence, designed to save time, effort and money in finding out information and getting people good advice quickly and cheaply."

The service is available to any small business employing up to 200 people. Its counsellors are highly experienced freelances who usually work for the SFS for up to 100 days a year each. Mr Curry says: "We look for good business generalists.

Small Firms Service

We have 50 in this region ranging in age from 70 down to 38. Some are retired, some semi-retired, and one has a family business that does not need all his time, so he gives specialist help as an accountant."

The first three days of counselling are free but after then the client has to pay £20 per session, which may last up to ? ? day. But the charge per session can include any number of counsellors and Mr Curry says that three counsellors at work together is not uncommon.

In addition, the SFS is also the agent for the Government's Technical Inquiry Service, which is operated by the Production Engineering Research Association.

Mr Curry is now setting up a computerised matrix of counsellors and skills so as to be able to find the right advice for a particular problem as quickly as possible. Computerisation of general information and relevant contacts and addresses will also help cope with increasing demand.

The SFS is computerising its own "marketing" information too, so as to identify patterns of where inquiries come from and how they were referred. This will enable it to improve awareness of its existence and identify areas of high or low demand.

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THE ROLE OF CoSIRA

Help given to 18,000 firms in three years

MICROPLANTS took on two youth training scheme workers in the week after the Spring Bank Holiday, adding to the company's two scientists, four production workers and the two partners who started the business.

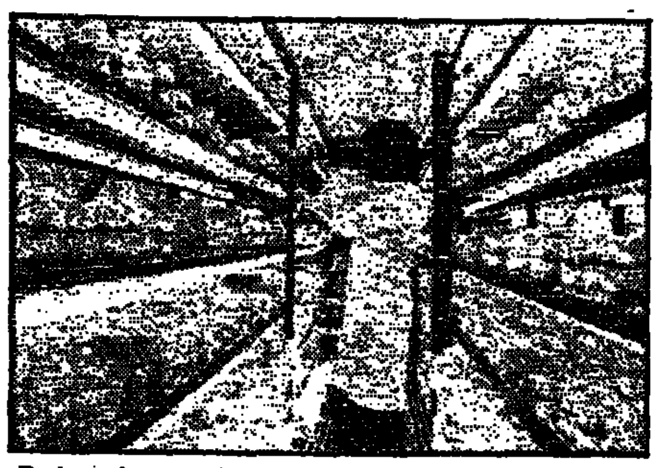
That makes 10 jobs that were not there when the company moved into its new advance factory last June. Since the factory is in the Staffordshire village of Longnor, in the Peak District National Park, the jobs are much more significant than they might have been in a city.

"We are often happier to help create three jobs in a village than 30 in a small town," says Henry Clark of the Council for Small Industries in Rural Areas (CoSIRA). "Those three jobs can transform village life whereas in a larger community their impact is diluted."

Microplants' founders, Ashok Ranchhod and Martin Stokes, looked at factories in Sheffield and South Yorkshire before turning to the countryside. Their market is the horticultural industry and they were unsure that customers would look for them in a city anyway.

But they were also able to get an EEC grant of £3,000 for setting up in a rural area and English Estates, which built and manages the factory for CoSIRA, offered the first six months rent-free. The factory itself is unusual because it is built in stone, as though to camouflage this intrusion of high technology into a nationally important area of outstanding beauty.

Microplants' speciality is cloning, the branch of biotechnology that takes tissue cultures and nurtures them in laboratory conditions so that they replicate themselves. Scientists get the process under way; production



Business in a rural area: Mr Ashok Ranchhod, one of the partners in "Microplants," working in one of the controlled-environment chambers in the Development Commission advance factory at Longner, Staffordshire.

workers separate new shoots as they start to grow.

By carrying out propagation at the micro level, plants can be replicated much more quickly than by waiting to take cuttings from a mature specimen. Microplants has already got a substantial overseas order book from Holland and some of the thousands of plantlets it has produced so far are now growing into roses, kiwi fruit, pampas grass and asparagus.

Rural areas of the UK

CoSIRA's forerunners could have had no inkling that this was where their work would lead, for the organisation evolved from the Development Commission—of which it is an agency—set up by Lloyd George in 1909 to help country areas over the unemployment caused by new technology, which in those days was the horse-drawn reaper and binder, an advance that put more people out of work than the tractor.

Strange as it may seem therefore, CoSIRA is proof that Britain actually has a 75-year heritage of job creation initiatives. These days CoSIRA acts in England while the work in Scotland and Wales falls under those countries' development agencies. The role is confined to towns and villages with fewer than 10,000 inhabitants, and the council has 30 offices scattered accessibly throughout the shires.

About 18,000 small businesses have been helped by CoSIRA in the last three years alone, most of them manufacturers. CoSIRA offers advice, cheap consultancy and instruction (£25 a day), finance, grants and training.

It also gets advance factories into the countryside and has recently found rising demand for them from high-tech companies like Microplants and, Mr Clark says, "lots of electronics firms."

Traditional skills are not being squeezed, however. For example, blacksmiths have been helped to find wrought ironwork markets to fill their capacity for the four months of the year when local farmers cannot keep them busy. CoSIRA has also saved the thatching industry through a national training scheme.

Other growth areas for small companies have been furniture restoration, upholstery and even sewing machine maintenance, with CoSIRA converting old farm buildings into workshops for them to work from.

Unemployment in the countryside is, in fact, relatively low at 8-12 per cent but the figure is masked by a migration that would destroy some communities if it went unstemmed. "It's the activity rate that counts," Mr Clark says. "Our aim is to see that numbers of jobs keep rising."

It pays to 'shop around' for help

THE RANGE of local authority help for small businesses is probably as wide as there are county and borough councils, but there are general principles by which to classify the different approaches.

A great deal may depend on the political complexion of the council. Liverpool, for example, had an industrial development agency under minority Liberal rule which was supported by the Conservatives. This was available to help any business, particularly in finding premises and helping to secure private or public sector fundings.

But since a locally hard left-militant Labour group has been in power, the agency has been scrapped and its staff has been redeployed to other work or absorbed into a bureaucracy not known for moving quickly.

Local authority initiatives

This should not give opposition parties much to crow about, however, for some local authorities in Conservative hands do not believe that industrial development is part of their function at all, so the small business looking for help there may end up just as empty-handed.

Between these extremes, the vast majority of councils have many different schemes and policies. The more subtle shades of political complexion become important when looking at these.

Generally, the more "right wing" a controlling Labour group or its leadership, or the "wetter" a Conservative one, the more help a small business is likely to get, and with fewer strings.

This usually means that things will be better in the larger, more industrialised shire counties or in most of the doomed metropolitan counties. Notable examples include the West Midland Enterprise Board and Lancashire Enterprises Ltd, the latter being a private company owned by the county council which acts as a cross between a merchant bank, property speculator and a development agency and which makes profits to boot. Both are run by Labour.

In Labour-controlled councils, however, the strings attached to help may get more restrictive the more Left the council. This will be so if the ideologies framing industrial development policy have pet theories about how it should be done, such as through workers co-operatives.

Some council help may only be forthcoming if the applicant enters into a planning agreement, aimed at gradually increasing numbers of jobs, or gives the council a part of the equity, or accepts a council nominee on the board, or agrees to a combination of all of these.

Trade union membership of anyone employed, with appropriate closed shops, is also likely to be a condition, though a form of words that makes this non-binding may be negotiable if the council has a pragmatic attitude towards attracting jobs rather than defending ideology. Flexible "forms of words" have been negotiated with left-wing councils faced with half a loaf or nothing. It depends on whether the council needs the business more than the business needs the council.

Some local authorities also run enterprise competitions offering large cash prizes and rent-free (though not rate-free) periods in advance factories for the winners. But the small print should be read carefully: there is no point in entering if you do not really want to set up in the area concerned. One council actually ran a second competition after the winner of the first would not move North to collect a £25,000 first prize subscribed by local companies.

In other cases, local authorities are backing enterprise agencies with money and resources. Since all types of governmental, private sector, economic and political viewpoints can find some common ground in an enterprise agency, this is an automatic indicator of likely flexibility that is important.

Indeed, a climate of benevolent flexibility is probably what new small businesses need more than anything else. Pet theories, wherever on the political spectrum, can put them into straitjackets. So can the insistence of some estates departments that companies should commit themselves to 25-year leases on council factories.

Incentives, such as rent-free periods, are offered by some bodies to persuade new companies to move into particular areas or take certain premises. These can only be judged on their local merits and balanced against business need.

To sum up, there is no general rule. But small business development is a buyer's market and, geographically, Britain is a small country with good, relatively uncrowded roads nearly everywhere outside the home counties. It will pay to shop around within a radius of 20 miles or so.

Learning how to do it cuts failure rate

Training

THE MAJOR problem of the past few years in training people to run small businesses has been a lack of national strategy. In the absence of political or practical leadership by the Department of Education and Science, the problem is now being tackled by the Manpower Services Commission.

The owner of a small business, or someone wanting to start one up, will probably have no difficulty in finding courses on offer in further education colleges throughout Britain. But, according to the MSC's Hugh Sharp, most of these should be treated with scepticism and wariness.

"They lack discipline," he says. "Anyone can sign up. You can go along to evening classes when you feel like it. Everything is very relaxed and at the end of the course, that is it. In our experience, they never follow up."

It will not do if the trainees are to be ultimately successful, he says. They not only need tuition but practical advice about their own business ideas. They need to understand the nitty-gritty problems of day-to-day management and, critically, how to avoid running into the difficulties — such as cash flow, overtrading, or just plain bad use of time — that commonly kill off small, fledgling businesses.

Mr Sharp runs the MSC's adult training strategy from national headquarters in Sheffield. Getting the training right is now seen as a very cost-effective way of creating jobs.

The MSC's most expensive sponsored course is the New Enterprise Programme. Each year five university business schools — Durham, Glasgow, London, Manchester and Warwick—run one each. The course fees are £4,000 per student and 200 complete the course each year. Each course lasts 16 weeks, including a 10 to 12 week project period in which trainees virtually set up in business. The first part of the course is intensive, full-time residential study.

More than 80 per cent start businesses, and although many would have done so anyway, Mr Sharp says that the national failure rate of 40 per cent would almost certainly have then applied to them.

But the failure rate of people who have been on the programme is proving to be about two per cent in the first three years' trading, with the number of people employed averaging six per firm.

"So for £4,000 plus the individual's training allowance, we get six jobs," Mr Sharp says. "Compare that with the £35,000 it has taken to create each job under the regional aid programme."

The fact that one-fifth of people do not start businesses is also seen as good value. The non-starters would otherwise have set up and failed.

Less high-powered are the MSC's Small Business Courses, which involve 6-10 weeks of full-time study. The courses are run under various titles for the MSC by universities, polytechnics, other colleges, regional management centres and private consultants. The MSC meets all costs, including residence.

The third type of course is in self-employment. These run from two to six weeks and often involve supportive counselling from the Small Firms Service (SFS) of the Department of Trade and Industry.

To qualify for MSC courses, applicants must be over 19, two years out of full-time education and either unemployed or willing to give up work to start a business. Formal educational qualifications are not necessary but entry is competitive with final selection by interview, which means that people without ideas will have little chance. The training allowance, incidentally, is £56 a week.

The MSC is also tackling another major problem that is emerging for many small businesses. Having survived for the first 3-5 years run by owner-managers, many need to "staff up" at senior level in order to expand, change with their markets, develop technologically and continue to survive.

Britain has a pool of redundant executives, many in mid-life, available for such recruitment. The MSC is now developing a Management Extension Programme to re-orientate them out of big company thinking into small business life.

Combining with the SFS, re-orientated executives are placed with small businesses as consultants to solve particular problems. In many cases they are now staying on as employees or partners. The programme started with 120 people two years ago. This year 750 will take part.

These programmes are costing about £7m this year and more is promised. They are probably the best deal around for people out of work. Other people could do much worse than the Open University (see accompanying article).

Open University starts course for starters

STARTUP starts next Janaury. It will be a new national course for people wanting to start their own business and it will be run by the Open University's Business School. Like all OU courses it will make extensive use of video and audio cassettes developed by the BBC and will enable the student to study at home when most convenient.

Each student will not so much have a tutor, but a business adviser for the nine months maximum permitted time to complete the course.

Private sector involvement is likely to be extensive. The course has only been possible because Barclays Bank has put up an interest-free loan of £240,000 to finance production of materials and the university is now appealing to other companies, chambers of commerce, and local authorities to provide sponsorship for students and to second staff for evening and weekend work as tutor/advisers.

The university is already reporting a favourable response from United Biscuits and ICI to its request for tutor/advisers.

Course fees will be £350 per student and the OU is hoping to be able to set a wide enough network of tutor/advisers to handle 1,000 a year. Each tutor will have up to 10 students.

Barclays will get its money back via a royalty of 20 per cent of course income, so the bank should be fully repaid within four years if numbers reach target. But the money has been put up on a venture capital basis, so that if the scheme were to fail, the university's debt would be written off.

Mr Jeff Scaldwell, Startup manager, says: "To join the course, a student will have to have a business idea. That will be the only requirement. The individually tailored part of the course will be to take that idea and develop it."

The generalised section of the course will cover marketing, day-to-day management, how to organise a business, financial strategy, and how to obtain funding.

The university hopes that its sponsorship fund will get over the problem of some people not being able to afford the course fees. It has suggested to chambers of commerce that they run business idea competitions to encourage people to come forward, with payment of course fees among the prizes offered.

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Backyard image out of date

THERE CAN be no country in Europe where small businesses are more prolific or important than in Italy. The most recent census showed that, for example, there is one industrial plant for every 59 inhabitants. In some parts of the country there is one for every thirty.

Italy's image as a country of backyard industrial workplaces, of a submerged economy that supposedly accounts for a quarter of gross domestic product and of a workforce that has at least two jobs, is well established. In fact, it is so firmly established that it has become somewhat out-of-date.

Italy
JAMES BUXTON
in Rome

And it is paradoxically true that, as well-established as small business is, those who govern the country tend almost exclusively to deal in terms of large units, massive state companies, giant trade unions, and associations of industrialists.

Government policies do not usually hinder small business but they do little specifically to assist it, and those involved complain that no "culture" of the small businessman has grown up to match the rise of the species itself.

Italian small business grew to its present scale both from the top and the bottom. While the first industrialisation in Italy was based on big plants in the three great cities of the north-west, Milan, Turin and Genoa, the post-war wave of industrialisation was partly based on small units in areas away from the "industrial triangle."

In the north-east, for example, the lower Po Valley and down into Tuscany, the Marches and further south, industrialisation increasingly resulted from families migrating from hills and mountains to the towns and villages of the plain, and abandoning farming for some artisanal activity such as shoe-making or the production of mechanical components.

Just as the natural unit in farming had been the family, with the head of the family skilfully directing his children and relations to manage a mixed farm of arable products and livestock, so the former peasant farmer became a natural small scale entrepreneur, handling a labour force that could switch from one task to another and cope uncomplainingly with long hours and poor or even bad working conditions.

This process reached its peak in the 1960s and early 1970s, and produced among other things towns and villages where a complex of little businesses make little more than one product places like Lumezzane near Bresscia which concentrates almost exclusively on plumbing equipment, Sassuolo, near Bologna, that specialises in tiles, or Montebelluna, near Venice, where almost everything produced is either a ski boot or a jogging shoe of some sort.

But the 1970s also gave small business a boost from the top. The industrial climate of the late 1960s produced a wave of sweeping labour legislation and expansion of the powers of the trade unions which severely threatened the profitability of the major companies.

As much as they could, they farmed out production to smaller companies, even to families working at home, to avoid the unions and the vastly higher costs they involved. This gave a boost to the already-thriving small producers. Much of the clothing industry operates along these lines, but so, too, do parts of the engineering and even the machine tools industry.

This was the situation which was identified in the 1970s as the "submerged economy." Many of the industrial entities, and many of the commercial organisations that served them, had no official existence, probably paid few taxes and avoided labour regulations, partly because they were too small to qualify for them.

When an industrial census was carried out in late 1981, it showed a rise in the number of firms but a drop in the average number of their employees.

For example, the number of engineering companies was up by 45 per cent, but the number of their employees went up only 25 per cent, taking the average number of employees per company down from 14.2 to 12.2 per cent.

The number of recorded industrial workplaces went up from 630,000 in 1971 to 960,000 in 1981.

The census showed the vast growth of small business, but also cast doubt on the present extent of the submerged economy. If a business was recorded in the census it could hardly be submerged.

What has happened, at least according to Dr Giuseppe de Rita, head of the research bureau, Censis, is that businesses have "emerged." He points out that in towns like Prato, in Tuscany, where there is one recorded industrial workplace for 26 people, there cannot be room for many unregistered ones as well.

Regularised

Only in the south, in cities such as Naples, may there be vast numbers of as yet unrecorded operations.

The distinction between submerged and emerged does not mean that the businesses involved all scrupulously fill in VAT forms, obey every law to the letter and employ nobody who might be moonlighting from another job. But it does mean that the structure of small Italian business is now more regularised, and theoretically more accessible to officialdom and official policies than it was a decade ago.

It also seems that in the past two or three years increased automation has made it less necessary for big companies to farm out production to outworkers, while Fiat Auto, the car-maker, is notable for having cut sharply the number of suppliers it is prepared to buy components from.

Quite apart from the somewhat nebulous concept of the lack of a culture of the small business, the Italian small businessman currently faces serious problems. Even though the recession may now be easing, many small businesses are facing declining profitability and are finding it increasingly difficult to finance themselves out of their own resources.

Despite the fact that medium and small businesses together account for nearly half Italian exports and industrial production, governments do very little directly to assist them. Recent legislation to give financial assistance to industry has almost entirely benefited large companies, and the only laws on the statute book for giving financial aid to small businesses date back to 1952 and 1965.

The banks on the whole do not go out of their way to assist small businesses—indeed, their complicated and expensive procedures are a positive hindrance.

While the state-owned Mediocredito Centrale gives medium-term finance to industry at all levels, confapi, the Association of Small and Medium-sized Industries, sees the need for a more comprehensive approach to credit for the small businessman.

On its own initiative it has set up consortia to give companies short-term finance in collaboration with Mediocredito and chambers of commerce. There are now about 50 local consortia which have granted loans worth about L1,000bn.

INTERNATIONAL

Western European Government are generally endeavouring to promote the small business sector, though the level of assistance varies greatly between individual countries. Italy, paradoxically, has more small businesses than any country in Europe, although the level of financial aid from the Government is relatively small.

Confapi has also set up a national association of the consortia in an effort to improve the small businesses' bargaining position with the banks.

Some consortia have gone into the business of giving medium-term finance, too.

Recently, Confapi proposed that the government set up a fund worth L2,000bn to assist small businesses employing not more than 150 employees who intend to invest not more than L3bn in plant and equipment, L1.5bn in industrial conversion and L1bn in modernisation and re-organisation schemes. Loans would be repaid over seven years.

But though politicians have promised that something will be done, there has been no sign of action yet.

Hopes in Kohl largely fulfilled

ONE DRAWBACK of being a politician is that you are looked upon to fulfil expectations you have aroused. This particular problem is now starting to surface for Chancellor Helmut Kohl with regard to West German small business.

It has been argued—and not altogether fancifully—that it was the small business vote which swung the last general election in March 1983 to the centre-right coalition.

The prevailing image of West Germany is of a place where big industry *is* the economy. In fact, 90 per cent of the country's two million companies employ fewer than 50 people.

Almost two-thirds of West German jobs derive from such enterprises. Furthermore, they provide 80 per cent of all apprenticeships under the country's enviable job training system.

After a long spell of increasingly suffocating rule by the Social Democrats, small businessmen welcomed the prospect of a switch to a Christian-Democrat-led government, pledged to bolster free enterprise and initiative.

To a fair degree, their hopes have been borne out. The Kohl Government swiftly realised that one of the few avenues that might lead to denting an unemployment figure of 2m plus lay in small business.

Upon coming to power, it improved the myriad facilities which the Federal Economics Ministry offers those who set up their own business. Companies deemed worthy of support saw the minimum amount they would have to put up of an approved investment cut to 12.5 per cent from the previous 25 per cent. At the same time, they were allowed largely to offset fees spent on specialist consultancy to help them carve through the jungle of possibilities offered by state and federal schemes to help small companies. Eight of the 11 *Länder* operate their own regional legislation in the field.

The response was almost too good. The number of applicants rose threefold between 1982 and 1983, forcing the Finance Ministry—despite its tough budgetary policy—to release extra funds. The same could well be necessary this year.

Much of the interest in setting up small businesses comes from the unemployed. Perhaps this gives the lie to fashionable anxiety that the West Germans have had all economic initiative extracted from them by a wrap-around welfare state.

"There's lots of enterprise," says Herr Wilhelm Dünner, managing director of the BDS, the leading national small industrialists confederation. "People who've lost their job want to run their own businesses. I get 15 letters a week asking 'What do I have to do?'"

The trouble is that for all the enthusiasm, and even the now developing use of U.S.-modelled

West Germany
RUPERT CORNWELL
in Bonn

venture capital, a host of obstacles confronts the would-be entrepreneur, and the new Government has made little impression on them.

The obvious one is taxation, not just on profits but on assets as well. The small industry lobby claims that the tax structure doesn't make it worthwhile to put all one's energy into a small company. "You are taxed exorbitantly for putting in a 60-hour week. And there are the unions, after a 35-hour week on full pay," one official commented.

Another problem is the hidden cost of labour. The German welfare state has many virtues but for employers it can add 82 per cent to the costs of the normal salary paid to employees.

The combination of high tax, high social security payments and the enduring shortage of risk capital means that most small companies are only 15 per cent self-financed, against some 40 per cent in the U.S. The bulk of their money comes from the banks in the form of loans.

The other difficulty—hardly unique to Germany—is bureaucracy, exacerbated frequently by the existence of local and state laws alongside federal ones. One horror story (apocryphal or otherwise) is of a butcher in Regensburg who wanted to set up a small sausage-producing plant.

The local health department decreed that the floor should be fitted with smooth tiles, while the social security people said they should be grooved. It took three years and a court case for the butcher to sort out the tangle. He won but had wasted much money in the process.

Even so, more people than ever before are setting up on their own. Three sectors make the running: artisan or craft *Handwerke*, innovative high technology, and the services industry. The last two frequently overlap in an area which many believe could be the making or breaking of the West German economy in the closing stages of this century.

A host of socialist incentives

THE DEVELOPMENT of small businesses is one of the priorities of the French Socialist Government's industrial policy.

At a time when the Government has undertaken a series of difficult restructurings in large industrial sectors like steel, coal, shipbuilding and automobiles involving large scale job losses, the Paris policymakers see small and medium-sized businesses as providing in the future far better employment prospects than large enterprises.

France
DAVID HOUSEGO
in Paris

To stimulate the growth and creation of small and medium sized enterprises, the Government has just put together a package of measures in what is called a "short law."

The idea is to avoid lengthy and complex legislation and instead concentrate the new incentives in a series of short but effective measures.

The new incentives include a savings account specifically linked to the accumulation of funds for setting up a business; tax concessions to encourage venture capital in France; fiscal incentives for research and the introduction by small businesses of data processing and automation systems to improve their productivity.

Other measures include incentives for management buy-outs and the development of employee stock option plans, as well as incentives for enterprises and individuals to acquire or set up businesses in depressed industrial zones.

Perhaps the most novel measure is the introduction of a so-called "livret d'epargne entreprise." This is a new savings account whereby an individual can deposit as much as FFr 200,000 to help him set up a new business.

This new savings account is also coupled with soft bank loans with interest rates of about 8 per cent for the purpose of creating new businesses.

Venture capital is also seen as a tool for future growth. The French banking system and some of the country's leading private and public companies have increasingly invested in venture capital. But by and large their attention has been focused on the U.S. venture capital market and to some extent on the UK.

However, there *is* a growing trend to invest in French venture capital projects, especially in high tech sectors.

To boost this trend, the Government decided to increase existing fiscal incentives for venture capital funds as well as introducing fiscal and financial incentives for the setting up of associations between researchers, enterprises and financial backers. The idea is to forge stronger links between these different parties to stimulate creativity, research and development in the small business sector.

Another important breakthrough, for France at least, is the development of the management buy-out concept.

The new law now creates a system whereby a holding company would be set up financed by salaried workers and financial institutions with shares in the company. This would eventually lead to a total buy-out of the company by either its employees or managers.

Moreover, taking a page out of the U.S. system, the Socialist government also wants to introduce stock option plans for employees which in turn would be linked to eventual company buy-outs.

All these measures come on top of a series of other incentives introduced by the Socialists during the past two years.

Indeed, the Government has extended by another two years the original fiscal incentives for the creation of new small enterprises by exempting them from paying taxes on their profits for a three year period.

Another separate but important aspect of the Government's efforts to stimulate small business is the reform of the country's bankruptcy laws.

The laws are now being changed to place the emphasis on helping companies in difficulties find a way out of their problems and get back on their feet.

The former legislation had exacerbated the problems of companies in financial trouble rather than assisting them, the government argued.

Indeed, since the early 1970s bankruptcies have steadily increased in France. What has been even more worrying for the authorities is the fact that the number of bankruptcies of small and medium sized businesses, which make up the great majority of cases, has risen more rapidly than the number of similar sized enterprises being newly-created. In 1983 the rate of new small business created in France was 3.3 per cent more than in 1982; by contrast the 1983 bankruptcy rate of similar business was 10.2 per cent compared with the year before.

A total of more than 22,700 companies went bankrupt in France last year or double the number 10 years ago and triple the number 20 years ago.

The new legislation has introduced a series of so-called protective measures to prevent a company from reaching the stage it must file for bankruptcy. These measures include more regular and stricter reporting and accounting practices, standards and requirements.

An informal procedure has also been introduced to enable a company and its creditors to work out an out of court solution to try to avoid a bankruptcy filing.

The legislation has also simplified and shortened the bankruptcy procedures themselves especially for small businesses (they could take up to four years in the past and nine out of 10 cases ended in liquidation).

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State plan for growth gets cool reception

Sweden

KEVIN DONE in Stockholm

IN A programme for Industrial Growth and Renewal introduced to the Riksdag, the Swedish Parliament, earlier this year, the Swedish Government laid particular stress on measures for promoting small and medium-sized businesses. The package was given a cool reception by industry, however.

Special help is to be offered to small and medium-sized companies which are judged to have a strong potential for growth. New funds—SKr 136m—are being made available to enable small businesses to bring in consultants to assist in assessing potential for expansion.

Where particular measures are needed there will also be capital available from a state development fund to help finance product or technology development, marketing investment or spending on new capital equipment.

A new fund is also being set up as an offshoot of the controversial wage-earner fund system to channel more risk capital towards small and medium-sized companies while the Government is also making available SKr 62m over three years as a contribution to research and development in this sector of the economy.

The Swedish Confederation of Industry (SI) estimates that 1m people, equivalent to a third of those working in commerce and industry, today work for companies with fewer than 200 employees. A further 10 per cent of such employment is provided by companies with 200-500 employees.

Across Sweden the importance of small and medium-sized businesses in providing employment varies greatly from region to region, but nationally around 60 per cent of the jobs in industry come from companies with less than 500 employees.

"To support and foster small and medium-sized companies is a matter of importance for the national economy and for employment," the SI argued in a submission to the Government earlier this year.

Out of Sweden's total population of 8.3m around 4.3m are economically active. The number of people employed in the service sector had jumped to 61 per cent by 1982, compared with 45 per cent in 1960, while the production of goods including construction employed 36 per cent of the total labour force compared with 55 per cent in 1960.

Despite the long years of rule by the Social Democrats in Sweden over the last 50 years—non-Socialist Governments have only been elected twice in 1976 and 1979 — the state has never sought to extend directly its ownership of industry, it has brought its influence to bear in other ways.

As a result, the vast majority of all Swedish companies, or around 85 per cent of all enterprises with more than 50 employees, are privately owned. This corresponds to three-quarters of the employment in the business sector.

The private sector has become increasingly critical of state intervention generally, however, and it has campaigned vociferously against the introduction of wage earner funds, which will gradually give the trade unions a growing stake in corporate ownership.

Opposition to the funds has been particularly strong among smaller businesses and this resistance has coloured too their response to the Government's programme for Industrial Growth and Renewal.

"Unfortunately the Bill hardly justifies its stately name," argues Mr Ingvar Petzäll at the Confederation of Swedish Industry. "What from the beginning should have been an improvement of the working conditions for small and medium-sized companies has become a dog's dinner of small subsidies administered by state agencies."

Grants and subsidies cannot replace what small companies really need, argues the SI, namely tax concessions which would make it easier to accumulate start capital and which would reduce the burden of taxation on private wealth that is bound up in plant and equipment.

Whatever steps are taken by the Government small companies have been able to take advantage of the substantial improvement that has occurred in the supply of risk capital, both through the establishment of an over-the-counter share market and the establishment of small regional stock markets and the widening of the venture capital market.

New source

The OTC market was introduced as an innovation in Sweden last year to provide a market for shares of small companies. A stockbroker acts as market maker and has to give offers and bids on request.

During last year some 28 companies were introduced to this market taking advantage of a new source of risk capital. Over the last 12 months more than SKr 500m has been provided in new equity capital for 32 newcomers to the OTC lists.

The venture capital wave reached Sweden late from the U.S. but since 1982, growing finance has been coming available particularly from some of the country's biggest quoted companies, from insurance groups and banks. The venture capital has been flowing into particular specialist niches including electronics, biotechnology, other high technology areas, energy and engineering.

The enormous increase in share prices that has occurred in Sweden since 1980 — turnover of the Stockholm stock exchange increased tenfold from 1980 to 1983 — has helped to create a new attitude towards risk-taking in the country and this is reflected well in the growing understanding of the importance of small and medium-sized businesses and their crucial role in the economy in providing growth and new employment.

A recent survey by MAS (a market economy research trust) showed that leaders of many small businesses still feel that the conditions under which they have to operate discourage expansion or the recruitment of new staff, but the fact remains that in the last three years the establishment of new, independent businesses has attracted more and more entrepreneurs willing to take the risk and carry the problems.

French incentives

CONTINUED FROM PREVIOUS PAGE

The Government hopes the new bankruptcy laws will reduce the number of small business cases that end up in the disappearance of a company. The reform is thus linked with other efforts to try to save troubled companies and hold down unemployment now expected to reach more than 2.5m people by year-end.

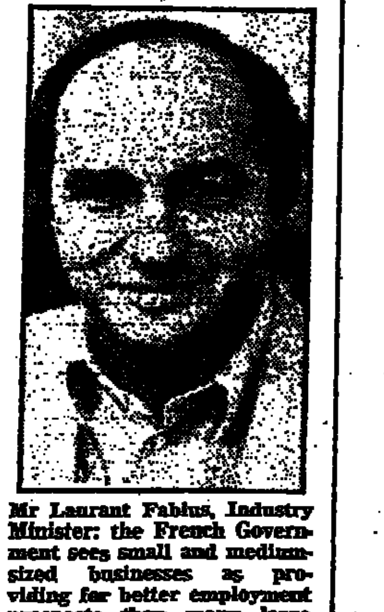
The small business sector is clearly the most vulnerable to recession, economic stagnation and to the trickle down effects of the large scale restructurings taking place in some of the country's key industrial sectors.

Thus, to attract investors to take over troubled concerns in depressed industrial zones like, for example, the north-eastern steel region of Lorraine, the Government has introduced more flexible and attractive tax write-off provisions.

The emphasis the Socialist Government is now putting on small business growth marks a departure from its original industrial policies when the Left came to power three years ago in France. At that time, the focus was directed to the large nationalised industries which were to be transformed into industrial locomotives for the country.

But as in the Government's overall economic strategy which has swung dramatically from expansion to austerity, industrial policy has swung from big to small. But in the current French economic environment and despite a small pickup in business investment in France, the going will continue to be rough for the French small business sector.

All the stimulative measures introduced by the Government for small businesses are unlikely, at this stage at least, to do much more than offset the impact of the Government's tough economic policies. And the Mitterrand administration has made it clear it has no intention of softening economic policy at present.



Mr Laurant Fabius, Industry Minister: the French Government sees small and medium-sized businesses as providing for better employment prospects than many large industrial enterprises

On the mend after five bleak years

The Netherlands

WALTER ELLIS in Amsterdam

A MODEST pick-up in consumer demand this year in the Netherlands has at last brightened the outlook for small and medium-sized enterprises. Throughout the previous five years, the sector had been in sharp decline, with redundancies at record levels and unemployment rising at a faster rate than for more than half a century.

Today, the gloom cast over the entrepreneurial landscape is lifting. In February, the most recent month for which figures are available, the nominal value of Dutch retail sales rose by 2.8 per cent over the same month in 1983.

Sales by small retail businesses employing fewer than 10 workers went up by 0.5 per cent, while in the medium-sized sector there was an increase of just under 2 per cent.

Larger busineses—those with more than 100 employees—saw their sales move up by 7 per cent.

Taking 1980 as the base, the retail sales index in February stood at 90. The small business index touched 85, that for medium-sized companies 82 and the large business index, 106.

Observers of trends in the smaller sectors will not be surprised at the more rapid rate of recovery experienced by the bigger companies. These normally have larger resources and greater access to banks and the capital markets, and their sales are often export-led.

Even so, the lower-bracket businesses are at least on the mend, and the future looks markedly less bleak than for some time.

The fall in the number of bankruptcies is another clear indicator of improvement. In 1983, for the first time since 1978, the number of Dutch firms to go to the wall actually fell.

The total, at 7,922—for company and personal bankruptcies—was still high but was down 8 per cent on 1982. This year preliminary estimates show another drop and the number of company starts is also rising.

Closing down

On the debit side, at least as far as the private operators are concerned, Algemene Bank Nederland (ABN) has just published a study which forecasts the disappearance by 1990 of nearly one in three of the country's retail outlets.

Holland has some 27,000 single-store food shops at the moment and 7,125 retail chains, including a handful of national enteprises. Within six years, according to ABN, around 10,000 of these will have closed their doors for the last time.

One exception to this downward trend is the franchised fast-food store, such as Macdonald's, which has made an increasing impact on the Dutch urban scene since 1982.

The Economic Institute for Small and Medium-sized Industry (EIM) in the Hague noted recently that in the period 1981-1983, Dutch industry underwent a decline in employment of some 250,000 man-years. Of this total, losses in the small and medium-sized sectors accounted for 200,000 man-years —80 per cent of the total.

Commenting on these figures, the business research department of Rabobank, the giant Dutch co-operative bank, says that smaller companies are strongly dependent on domestic demand.

In the Netherlands, consumer spending has been falling since 1980, and it is only in recent months that a recovery has begun to make itself felt. Thus, sales have been badly hit, with falling turnover in the retail and catering areas causing particular concern.

Transport companies—except those engaging in cross-border traffic—have suffered as a result of this decline.

Rabobank concluded that difficulties would continue for some time to come. But events have shown that, while problems there still are aplenty, there are now grounds for cautious optimism as well.

Those businessmen who are prepared to react quickly to changing markets and who are ready to take a certain amount of risk can expect, in many instances, to reap rich rewards. Some will fail, but that is in the nature of the entrepreneurial game. The point is that it is now once more possible to contemplate success.

In the all-important high-technology area, businessmen with good ideas should from now on find their paths made a little smoother by the Government. Mr Gijs Van Aardenne, the Economics Minister, earlier this year pledged that the state would increase its support for technological research.

A new official scheme, to start on October 1, with an annual budget of Fl 220m, will make awards each year to aid innovatory research.

What is more, 70 per cent of funding will go to small and medium-sized companies. Mr Van Aardenne observed that 70 per cent of present-day R&D was carried out by just five multinational concerns, and his principal concern, through the scheme, was to redress the balance.

Micro-electronics, outside of Philips of Eindhoven, has exercised a fascination for the Dutch only in the last few years.

Now, however, they are keen to catch up, as witness a current attempt by a Dutch state-aided consortium to buy into the UK's state-owned Inmos group. The nucleus of the present industry is made up of around 250 companies, nearly all with workforces of less than 200.

Nearly 50 of these hi-tech ventures have started up since 1982, and 17 per cent of the total have doubled their sales in just two years. Only 15 per cent of the 250 managed to drop turnover in this period, compared with a national companies average of 38 per cent.

Bank aid

If the Government proves that state funding gives a real boost to the hi-tech sector, more money is likely to be committed. Once a company has made it, though, it is normally expected to come up with its own growth capital, and this is being done in the Netherlands through banks, venture capital funds and, in several instances, through entry into the London markets.

All Dutch banks now provide extensive aid to small businesses, and most have subsidiaries dealing exclusively in this area. Two, the Nederlandsche Middenstandsbank (NMB) and the Nederlandse Credietbank (NCB) derive a substantial part of their business from such assistance.

Elsewhere, business and technology centres (BTCs), in which small ventures group together to provide administrative and management assistance, are beginning to emerge from their experimental period.

Control Data began several such centres in 1982 and 1983, and the NMB funded a similar venture in Almere, on reclaimed land.

Philips has also entered the venture capital market in collaboration with the NMB, providing scientific and management expertise to would-be entrepreneurs while the bank provides financial advice and loans.

At Government level, the economics ministry is continuing to five export assistance and meets part of the cost of trade missions by groups of small companies that might never make it overseas on their own.

The main good news for the smaller sectors is that economic recovery is under way, albeit in fits and starts, and demand on the home front is beginning to expand.

What is required in the mid-1980s is a quick response to the greater technological challenges ahead and a readiness to go to the banks and the government for information on what assistance can be given. Employment may take years to recover.

If the businesses that have survived the recession, and those which have begun since, can adjust to the future and add sound business sense to their existing wealth of ideas, the entire country will benefit.

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Driving force behind growth

THE IMAGE of corporate America is undoubtedly one of super giants—Exxon, International Business Machines (IBM), American Telephone and Telegraph (AT&T), General Motors (GM) and U.S. Steel.

These corporate powerhouses may make the biggest earnings and, arguably, political splash, but as Manufacturers Hanover Trust, the New York money center bank, noted in its Financial Digest article last month, "new, small businesses have become the main driving force behind the nation's economic growth."

United States
PAUL TAYLOR
in New York

According to the Small Business Administration (SBA), a section of the U.S. Commerce Department, small businesses employ almost half the nation's private non-farm workers and generate about 38 per cent of U.S. Gross National Product (GNP).

There are about 14m small business enterprises in the U.S. —roughly 97 per cent of all U.S. businesses. About 10m of these are sole proprietorships, 2m are corporations and 2m are partnerships.

"Their contributions to the nation's economic health are manifold," says Manufacturers Hanover's economics department. "Small businesses develop new products and services and provide new jobs, technological innovations, entrepreneurial initiative, managerial talent, new skills and training, as well as spur older, established companies to greated efficiency and tougher competitiveness."

The bank also notes that "small companies are usually deeply-rooted in their local communities and neighbourhoods and provide entry-level pobs for teenagers, women, minorities and immigrants."

What is perhaps most surprising is that small businesses are becoming an increasingly important factor in the U.S. economy.

Between 1950 and 1970 big companies and the Government created three out of four new domestic jobs. However, from 1970 to 1980 small businesses provided most of the 20m new jobs created and the trend is accelerating. Even during the last recession small businesses outperformed their giant counterparts.

An estimated 1m businesses were formed during the early 1980s, according to the SBA. Small enterprises with under 20 employees provided most of the 982,000 net new jobs creates in the U.S. between 1980 and 1982. They generated over 2.6m jobs, more than offsetting the 1.7m jobs lost mostly in older mature industries such as steel and car making.

Now the strong economic recovery in the U.S. has fuelled another burst of small business activity driven often by entrepreneurs determined to "be their own boss."

According to Dun and Bradstreet, the business information group, business incorporation grew by 5.2 per cent last year to a record 600,000—well above the previous high of 580.000 in 1981.

While "high-tech" companies represent a share of this new business activity, perhaps surprisingly, they represent only a small fraction.

Service companies, including financial service, fast foods, legal services, insurance, physical fitness and air transportation provide the lion's share of new business incorporations, reflecting the general drift in the U.S. economy towards services rather than manufacturing.

Innovators

The SBA figures show that service companies accounted for 23.4 per cent of all small businesses in 1982, compared to 19.1 per centin 1976.

The figures also show that it is the newly deregulated industries, such as financial services and transportation, which are attracting most small business interest. For example, starts of nonbank credit agencies increased 68 per cent during 1982 and 1983 having stood still prior to that.

Small businesses have also been among the prime innovators in the U.S.

According to the SBA they have introduced two and a half times as many new products as large companies — products ranging from semiconductors to gene spliting.

"Even smokestack industries are dependent on entreprenurial innovation for the streamlining they urgently need to become more competitive," notes the manufacturers. Hanover study.

Indeed, even some of the corporate giants — such as IBM —have established a corporate structure which allows for entrepreneurial small business units (SBUs) within the apparently more monolithic bureaucracy. In IBM's case the experiment has proved highly successful — for example, an SBU developed the IBM pc (personal computer).

The relative success of small business in the U.S. has generated in its wake—and, sometimes, despite the odds—a new and lively interest among politicians, economists and administrators.

President Reagan earlier this year declared a "small business week." And last year the Federal Government, through the newly set-up Federal Small Business Innovation and Research Programme, gave over 800 research awards worth $40m to small firms.

This initiative is being further bolstered by state and city local authorities — particularly those seeking to develop high technology corridors — with cheap land, financing, grants and other incentives. Drives by major cities such as Philadelphia and Boston to attract new jobs are built upon attracting and nurturing new small businesses to offset urban decline.

In a presidential election year the subject of small businesses has also caught the eye of the major parties. Both the Democratic and Republican parties are busy developing political platforms which incorporate special attractions for small businesses.

For the Republicans and President Reagan this is particularly important. The Reagan Administration was tarred from the start by Democrats as being the Administration of "big business."

Indeed, according to the House of Representative Committee of Small Businesses, the small business share of Government contracts has shrunk to 13.75 per cent in the last fiscal year from 15.4 per cent in 1981.

Even the president's own report to Congress on "The State of Small Business," dated March this year, while noting that small businesses are a vital contribution to the economy also states that "in fiscal 1982, the U.S. Government purchased $159bn worth of goods and services from the private sector"; while small firms contribute about 38 per cent of the nation's GNP, they receive less than 30 per cent of all federal procurement dollars.

The White House is, however, quick to defuse the implications Spokesmen point out that the Reagan Administration has helped enact a bill that frees small businesses from antitrust constraints when they collaborate on export deals and led a move to set up a "computer dating" service at the commerce department which matches up small companies with similar export interests.

The easing of federal occupational safety and health administration rules has also pleased small businesses. But other measures have annoyed small business leaders who note that the Reagan Cabinet is composed primarily of "big business names."

In particular, they note that the 1981 Tax Bill, which provided tax credit transfers, favoured big companies while the Administration's more *laissez-faire* attitude towards antitrust enforcement and bank deregulation is seen as favouring the giants.

In an attempt to capitalise upon this concern, the Democrats have set up a Small Business Council which is holding hearings round the country and there are suggestions that the presidential platform could include promises of a larger slice of government contracts, tougher antitrust policies and a more cautious approach to deregulation.

But the Democrats could face a rough ride wooing small business. Despite the Reagan Administration's failings, the major small business organisations are still behind the president.

However, whatever the outcome, what the political rivalry does show is that small businesses are now only an accepted force in the economy—but also a potential major political grouping—and prize.

Paths through the maze

CONTINUED FROM PAGE 1

up that the worst of the economic storm clouds may be blowing away—highly encouraging it must be said for those small firms dependent for much of their business on big companies —the emphasis has switched from cash hand outs to the provision of advice.

As Mr Trippier explained in a recent interview, "Wherever I go in the country I get two lobby groups. One group will say, 'Minister, give us more money' and the other will say, 'get out of our hair—we know how to run our businesses better than the Government.' I prefer to go down the latter route."

In the absence of the sort of major Whitehall initiatives which characterised the Conservatives' first term the spotlight has also shifted to local communities through the encouragement of local enterprise agencies (providing tax reliefs, moral support), financial advisers such as bank managers and accountants, and the many other areas of private sector activity, developers of small property units, computer centres and marketing specialists.

It is too early to tell how cost effective this burgeoning "raft" of new support services will be but however thinly spread the expertise in some areas and in some organisations, improvements in business knowledge and management skills can only help more firms survive.

While many politicians and other enthusiasts now look unquestioningly at the small firms sector for our economic salvation, others are more sceptical. They also doubt the Government's wisdom in indiscriminately directing most of its policies at all small firms and are worried that many of the "new" firms could simply be displacing existing economic activity elsewhere.

Dr David Storey, for example, senior research associate at the Newcastle-upon-Tyne Centre for Urban and Regional Development Studies, argued last month in a memorandum to the House of Commons Committee on Welsh Affairs that once Japan is ignored, "there is no statistical association between the economic growth performance of a country and the proportion ou its output in small firms," that claims made about the contribution by small firms to employment in the U.S. have been both exaggerated and misinterpreted, and that small business policy is "regionally divisive."

He concluded, "In an area the size of Wales there are probably only between 50 and 100 entrepreneurs capable of transforming the Principality's economy. Resources should not be spent encouraging Dai to establish his own firm. Instead they should be concentrated upon providing a comprehensive and valuable service to those few individuals who have a demonstrable track record in business."

Key role played by family enterprise

THE INTERNATIONAL image of corporate Japan is that of the handful of vast corporations which have come to dominate world export markets for consumer goods. There can be scarcely a road in the world without the tyremarks of Nissan and Toyota cars, scarcely a beach without its compliment of Sony Walkmen or Hitachi radio-cassettes.

In trading, banking and heavy industry, the great "zaibatsu" names such as Mitsui and Mitsubishi still prevail, though their various arms are less closely co-ordinated than in the pre-war years.

Japan
JUREK MARTIN
in Tokyo

But if big business has been Japan's "leading edge" abroad, the country's domestic corporate culture remains overwhelmingly dominated by small- and medium-sized enterprises. For every Japanese business of international repute, there may me literally one hundred thousand small businesses scarcely known outside their own town or village.

Excluding agriculture and fisheries, Japan has over 6m registered "places of business," of which 99.4 per cent employ fewer than 30 people.

Small business almost totally dominates the construction sector where, in 1981, 425 firms employing more than 300 people vied with 550,000 firms employing fewer than that number.

In wholesale and retailing, some 3m "places of business" employed fewer than 10 people each in 1981, against just 14,119 employing more than that number.

The average Japanese manufacturing company employs about 15 people—a quarter of the typical average for western countries.

Three out of every five small businesses are family affairs, in which less than half the workforce are "outsiders." Roughly 20 per cent of small businesses operating ostensibly in one particular commercial or industrial line also practise some form of secondary business—predominantly farming and fishing in the countryside, flat-rentals in the cities.

This vast hinterland of small business enterprise is credited with a key role in Japan's post-war economic "miracle." The sector provided much of the energy and flexibility to help Japan adopt to and adapt rapid technological innovation.

It has also served as a low-wage labour force relative to the larger companies: in 1960, companies employing five to 29 workers paid roughly 45 per cent as well as companies employing over 500 people. The proportion rose to top 60 per cent in 1965, but has since fallen back to around 55-60 per cent.

Part of this differential arises because Japan's smaller companies are proportionately larger hirers of women and blue-collar workers than are large companies.

Small companies employed as sub-contractors to "patron" companies have born the brunt of recessions, enabling patron companies effectively to cut capacity without reducing their own payroll. The much-vaunted "lifetime employment system" of large Japanese corporations depends to a considerable degree on the brusquer treatment meted out to its subcontractors.

Some two-thirds of Japan's small and medium-sized manufacturing businesses are principally sub-contractors—a proportion which is higher, still in the electrical, transport and machinery sectors.

Research

Some 20 per cent of small firms polled in 1982 said that investments overseas by Japan's larger firms had cut back their own subcontracting work. In the domestic electrical appliances sector, the figure rose to 34 per cent.

To help insulate themselves against technological obsolenscence and overseas competition, Japanese small businessmen have, in the last five to ten years, started doing research and development work of their own.

A third of subcontractors now believe their production technology is higher than that of the lager companies for which they work. Only 30 per cent of small manufacturers say they are doing no r and d work of their own.

Small and medium-sized service industry companies also play an important role in Japan's economic health, cushioning the labour force against shifts in unemployment levels. The country's notoriously cumbersome distribution system is a particularly large absorber of labour: Japan has twice as many retail outlets per capita as Britain or the U.S., and three times as many wholesalers.

Supermarkets have made relatively little inroad into Japanese society: while small retail outlets lost market share in 1965-75, they have since been improving their competitive position, a phenomenon attributed to the increasing diversity of goods now being sought out by less conservative Japanese consumers.

For the future, Japan's planned growth towards an "information" society may benefit high-technology small businesses which can supply a degree of creativity, for instance in the production of computer software, lacking among their larger competitors. Japan has yet to experience the "boutiquing" of high-technology skills which has proved so productive a force in the United States.